



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Tumwater

For the period January 1, 2022 through December 31, 2022

*Published November 6, 2023*

Report No. 1033570



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

November 6, 2023

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

***Americans with Disabilities***

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Tumwater January 1, 2022 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January, 1 2021 through December 31, 2021	<b>Report Ref. No.:</b> 1031733	<b>Finding Ref. No.:</b> 2021-001
<b>Finding Caption:</b> The City did not have adequate internal controls ensuring accurate reporting.		
<b>Background:</b> 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.		
<b>Status of Corrective Action:</b> (check one)		
<input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>During the prior audit period the City had a good system of internal controls, but had a lot of new staff performing the control activities. Staff have gained more experience and received additional training over the past year, and the condition has been fully corrected.</i>		

## 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, 2022 through December 31, 2022

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, each major fund and the aggregate remaining fund information of the City of Tumwater, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2023.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

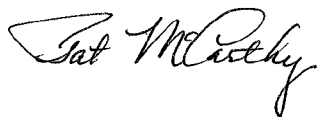
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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



Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Tumwater January 1, 2022 through December 31, 2022**

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tumwater, as of December 31, 2022, 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.

## **Matters of Emphasis**

As discussed in Note 18 to the financial statements, in 2022 the City reclassified the Tumwater Transportation Benefit District fund as a special revenue fund within the Total Nonmajor funds on the financial statements. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing



an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

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 October 30, 2023 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

**City of Tumwater  
January 1, 2022 through December 31, 2022**

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2022  
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Statement of Cash Flows – Proprietary Funds – 2022  
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Schedule of Proportionate Share of Net Pension (Asset)/Liability – PERS 1, PERS 2/3,  
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Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2022  
Schedule of Changes in Total OPEB – LEOFF 1 – 2022  
Schedule of Employer Contributions – International Brotherhood of Chauffers, Teamsters  
and Helpers Union No. 252 – 2022  
Notes to Required Supplementary Information – 2022

**CITY OF TUMWATER**  
**Statement of Net Position**  
**December 31, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash & Cash Equivalents	\$ 57,958,007	\$ 27,837,159	\$ 85,795,166
Investments	16,581,411	10,197,121	26,778,532
Receivables:			
Taxes Receivable	4,455,870	-	4,455,870
Accounts Receivable	75,156	1,583,009	1,658,165
Interest Receivable	54,514	13,890	68,404
Interfund Loan Receivable	-	1,622,192	1,622,192
Due from Other Governments	609,177	127,524	736,701
Inventories	19,122	509,144	528,266
Prepays	266,060	-	266,060
<b>Total Current Assets</b>	<b>80,019,317</b>	<b>41,890,039</b>	<b>121,909,356</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Cash & Investments	\$ 19,685	\$ -	\$ 19,685
Equity Interest in Joint Venture	329,391	-	329,391
Net Pension Asset	10,131,800	687,941	10,819,741
Capital Assets:			
Historical Artifacts, Land, and Construction in Progress	103,488,567	6,712,817	110,201,384
Other Capital Assets, Net of Depreciation	79,638,633	65,580,586	145,219,219
Leases Receivable	225,672	100,049	325,721
<b>Total Noncurrent Assets</b>	<b>193,833,748</b>	<b>73,081,393</b>	<b>266,915,141</b>
<b>Total Assets</b>	<b>\$ 273,853,065</b>	<b>\$ 114,971,432</b>	<b>\$ 388,824,497</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Outflow	\$ 6,399,103	\$ 685,441	\$ 7,084,544
Total OPEB Liability	58,680	-	58,680
<b>Total Deferred Outflows of Resources</b>	<b>\$ 6,457,783</b>	<b>\$ 685,441</b>	<b>\$ 7,143,224</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 280,310,848</b>	<b>\$ 115,656,873</b>	<b>\$ 395,967,721</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Payroll Payable	\$ 1,094,888	\$ 249,203	\$ 1,344,091
Vouchers Payable	1,057,432	1,357,797	2,415,229
Other Contracts Payable	147,102	-	147,102
Due to Other Funds	1,622,192	-	1,622,192
Due to other Governments	193	-	193
Accrued Interest Payable	3,360	1,015	4,375
Deposits Payable	14,960	196,773	211,733
Compensated Absences (Current Portion)	1,176,076	214,025	1,390,101
Total OPEB Liability (Current Portion)	142,000	-	142,000
Due Within One Year	161,490	77,251	238,741
<b>Total Current Liabilities</b>	<b>5,419,693</b>	<b>2,096,064</b>	<b>7,515,757</b>
<b>NONCURRENT LIABILITIES:</b>			
Compensated Absences	\$ 722,659	\$ 131,511	\$ 854,170
Total OPEB Liability	5,902,743	-	5,902,743
Net Pension Liability	1,574,992	396,952	1,971,944
Due in More Than One Year, Net of Premiums/Discounts	1,061,876	885,941	1,947,817
<b>Total Noncurrent Liabilities</b>	<b>9,262,270</b>	<b>1,414,404</b>	<b>10,676,674</b>
<b>Total Liabilities</b>	<b>\$ 14,681,963</b>	<b>\$ 3,510,468</b>	<b>\$ 18,192,431</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Lease Related Inflow	\$ 219,126	\$ 99,078	\$ 318,204
Pension Related Inflow	6,629,752	755,057	7,384,809
<b>Total Deferred Inflows of Resources</b>	<b>\$ 6,848,878</b>	<b>\$ 854,135</b>	<b>\$ 7,703,013</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 21,530,841</b>	<b>\$ 4,364,603</b>	<b>\$ 25,895,444</b>

**NET POSITION**

Net investment in capital assets	\$	183,127,200	\$	72,293,403	\$	255,420,603
Restricted for:						
Capital Project Development		16,397,130		-		16,397,130
Debt Service		90,137		-		90,137
Public Safety		969,074		-		969,074
Net Pension Asset		10,131,800		687,941		10,819,741
Metropolitan Parks District		3,684,143		-		3,684,143
Transportation Benefit District		6,052,975		-		6,052,975
Other Purposes		888,714		-		888,714
Unrestricted		<u>37,438,834</u>		<u>38,310,926</u>		<u>75,749,760</u>
<b>Total Net Position</b>	<b>\$</b>	<b><u>258,780,007</u></b>	<b>\$</b>	<b><u>111,292,270</u></b>	<b>\$</b>	<b><u>370,072,277</u></b>

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 Fiscal Year December**  
**31, 2022**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
<u>Governmental activities:</u>							
General Government	6,323,860	1,861,985	1,818,018	-	(2,643,857)	-	(2,643,857)
Public Safety - Police	8,204,134	133,106	130,885	-	(7,940,143)	-	(7,940,143)
Public Safety - Fire	8,315,241	2,689,172	363,058	(10,613)	(5,273,624)	-	(5,273,624)
Public Works	5,971,602	2,361	277,413	5,713,368	21,540	-	21,540
Economic Environment	2,577,782	2,293,019	255,244	7,691	(21,828)	-	(21,828)
Culture & History	269,464	18	-	-	(269,446)	-	(269,446)
Parks & Recreations	3,059,747	335,213	12,275	443,204	(2,269,055)	-	(2,269,055)
Interest on Long-Term Debt	70,122	-	-	-	(70,122)	-	(70,122)
<b>Total Governmental Activities</b>	<b>\$ 34,791,952</b>	<b>\$ 7,314,874</b>	<b>\$ 2,856,893</b>	<b>\$ 6,153,650</b>	<b>\$ (18,466,535)</b>	<b>\$ -</b>	<b>\$ (18,466,535)</b>
<u>Business-type activities:</u>							
Combined Utilities Fund	20,389,150	20,656,212	438,033	6,551,563	-	7,256,658	7,256,658
Golf Course Fund	2,119,637	1,394,405	117,977	-	-	(607,255)	(607,255)
<b>Total Business-type Activities</b>	<b>22,508,787</b>	<b>22,050,617</b>	<b>556,010</b>	<b>6,551,563</b>	<b>-</b>	<b>6,649,403</b>	<b>6,649,403</b>
<b>Total Primary Government</b>	<b>\$ 57,300,739</b>	<b>\$ 29,365,491</b>	<b>\$ 3,412,903</b>	<b>\$ 12,705,213</b>	<b>\$ (18,466,535)</b>	<b>\$ 6,649,403</b>	<b>\$ (11,817,132)</b>
General revenues:							
Property Taxes, Levied for Metropolitan Parks District					1,834,320	-	1,834,320
Property Taxes, Levied for General Purposes					10,495,313	-	10,495,313
Property Taxes, Levied for Debt Service					10	-	10
Business and Franchise Licenses and Taxes					25,528,498	-	25,528,498
Unrestricted Investment Earnings					102,398	(43,648)	58,750
Miscellaneous					(95,571)	20,217	(75,354)
Transfers					310,230	(310,230)	-
<b>Total general revenues, special items, and transfers</b>					<b>\$ 38,175,198</b>	<b>\$ (333,661)</b>	<b>\$ 37,841,537</b>
Change in net position					19,708,663	6,315,742	26,024,405
Net Position - Beginning					239,071,344	104,976,528	344,047,871
<b>Net Position - Ending</b>					<b>\$ 258,780,007</b>	<b>\$ 111,292,270</b>	<b>\$ 370,072,276</b>

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, 2022**

	General Fund	Development Fees Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 19,788,758	\$ 9,247,090	\$ 90,137	\$ 15,851,948	\$ 8,517,707	\$ 53,495,640
Investments	6,195,177	6,415,122	-	1,930,938	1,914,180	16,455,417
Taxes Receivable	3,529,445	-	-	413,445	512,980	4,455,870
Accounts Receivable	42,805	-	-	29,940	2,411	75,156
Leases Receivable	-	-	-	225,672	-	225,672
Interest	36,819	15,413	-	111	555	52,898
Due from Other Governments	446,388	-	-	162,789	-	609,177
Restricted Cash & Investments	14,000	-	-	5,685	-	19,685
Prepays	28,663	-	-	22,554	-	51,217
<b>Total Assets</b>	<b>\$ 30,082,055</b>	<b>\$ 15,677,625</b>	<b>\$ 90,137</b>	<b>\$ 18,643,082</b>	<b>\$ 10,947,833</b>	<b>\$ 75,440,732</b>
<b>LIABILITIES</b>						
Vouchers Payable	\$ 677,179	\$ -	\$ -	\$ 131,047	\$ 63,358	\$ 871,584
Payroll Payable	1,041,964	-	-	33,130	-	1,075,094
Deposits Payable	14,960	-	-	-	-	14,960
Other Contracts Payable	-	-	-	147,102	-	147,102
Due to Other Governments	193	-	-	-	-	193
Due to Other Funds	-	-	-	1,622,192	-	1,622,192
<b>Total Liabilities</b>	<b>\$ 1,734,296</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,933,471</b>	<b>\$ 63,358</b>	<b>\$ 3,731,125</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes	\$ 1,483,588	\$ -	\$ -	\$ 22,673	\$ 272,643	\$ 1,778,904
Fines & Forfeitures	44,338	-	-	-	-	44,338
Grants	8,064	-	-	70,682	-	78,746
Leases	-	-	-	219,126	-	219,126
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,535,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 312,481</b>	<b>\$ 272,643</b>	<b>\$ 2,121,114</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 3,270,286</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,245,952</b>	<b>\$ 336,001</b>	<b>\$ 5,852,239</b>
<b>FUND BALANCES (DEFICITS)</b>						
Restricted	\$ 983,074	\$ 15,677,625	\$ 90,137	\$ 5,685	\$ 10,611,832	\$ 27,368,353
Committed	1,447,879	-	-	16,391,445	-	17,839,324
Assigned	3,438,855	-	-	-	-	3,438,855
Unassigned	20,941,961	-	-	-	-	20,941,961
<b>Total Fund Balances (Deficits)</b>	<b>\$ 26,811,769</b>	<b>\$ 15,677,625</b>	<b>\$ 90,137</b>	<b>\$ 16,397,130</b>	<b>\$ 10,611,832</b>	<b>\$ 69,588,493</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 30,082,055</b>	<b>\$ 15,677,625</b>	<b>\$ 90,137</b>	<b>\$ 18,643,082</b>	<b>\$ 10,947,833</b>	<b>\$ 75,440,732</b>

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)	\$ 69,588,493
Deferred Taxes and other revenue recognized as earned revenue.	\$ 853,132
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 178,570,423
Other assets not available to pay for current-period expenditures.	\$ 329,391

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. \$ 10,205,123

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. \$ (1,183,320)

<b>Pension related</b> assets, liabilities, deferred inflows, and deferred outflows do not require financial resources and are only reported on the government-wide financial statements.	\$ 8,255,338
<b>Compensated absences</b> are classified as long-term liabilities, do not require financial resources and are only reported on the government-wide statements.	\$ (1,852,510)
<b>Other post-employment employee benefits</b> are classified as long-term liabilities, do not require financial resources and are only reported on the government-wide statements.	<u>\$ (5,986,063)</u>
	<u><u>\$ 258,780,007</u></u>



**CITY OF TUMWATER**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	General Fund	Development Fees Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes Revenue	\$ 27,607,660	\$ -	\$ 10	\$ 4,658,172	\$ 4,832,309	\$ 37,098,151
Licenses & Permits	2,053,397	-	-	-	-	2,053,397
Intergovernmental	6,131,846	-	-	1,743,245	9,971	7,885,062
Charges for Services	2,897,387	2,677,105	-	457,611	17,936	6,050,039
Fines & Forfeitures	32,613	-	-	-	208	32,821
Miscellaneous	623,112	218,495	12,808	198,503	126,429	1,179,347
<b>Total Revenues</b>	<b>\$ 39,346,015</b>	<b>\$ 2,895,600</b>	<b>\$ 12,818</b>	<b>\$ 7,057,531</b>	<b>\$ 4,986,853</b>	<b>\$ 54,298,817</b>
<b>EXPENDITURES</b>						
Current:						
General Government	\$ 6,473,094	\$ -	\$ -	\$ 28,316	\$ -	\$ 6,501,410
Public Safety - Police	8,499,681	-	-	-	1,350	8,501,031
Public Safety - Fire	8,931,991	-	-	-	-	8,931,991
Public Works	2,768,133	-	-	89,365	90,042	2,947,540
Economic Environment	2,422,832	-	-	-	281,933	2,704,765
Culture & History	-	-	-	-	130,050	130,050
Parks & Recreations	3,055,778	-	-	831	1,073,933	4,130,542
Debt Service:						
Interest & Fiscal Charges	11,794	-	56,130	53,389	-	121,313
Principal Retirement	42,687	-	632,610	-	-	675,297
Capital Outlay:						
General Government	-	-	-	977,790	-	977,790
Public Safety - Police	235,875	-	-	-	-	235,875
Public Safety - Fire	(6,214)	-	-	87,094	-	80,880
Public Works	-	-	-	3,244,272	-	3,244,272
Parks & Recreations	5,543	-	-	865,760	-	871,303
<b>Total Expenditures</b>	<b>\$ 32,441,194</b>	<b>\$ -</b>	<b>\$ 688,740</b>	<b>\$ 5,346,817</b>	<b>\$ 1,577,308</b>	<b>\$ 40,054,059</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 6,904,821</b>	<b>\$ 2,895,600</b>	<b>\$ (675,922)</b>	<b>\$ 1,710,714</b>	<b>\$ 3,409,545</b>	<b>\$ 14,244,758</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Lease Proceeds	235,875	-	-	-	-	235,875
Transfers In	50,000	-	688,740	3,055,728	-	3,794,468
Transfers Out	(2,136,696)	(1,446,712)	-	(344,675)	-	(3,928,083)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,850,821)</b>	<b>\$ (1,446,712)</b>	<b>\$ 688,740</b>	<b>\$ 2,711,053</b>	<b>\$ -</b>	<b>\$ 102,260</b>
<b>Net Change in Fund Balances</b>	<b>\$ 5,054,000</b>	<b>\$ 1,448,888</b>	<b>\$ 12,818</b>	<b>\$ 4,421,767</b>	<b>\$ 3,409,545</b>	<b>\$ 14,347,018</b>
Fund Balances - Beginning	21,757,769	14,228,737	77,319	11,975,363	7,202,287	55,241,475
<b>Fund Balances - Ending</b>	<b>\$ 26,811,769</b>	<b>\$ 15,677,625</b>	<b>\$ 90,137</b>	<b>\$ 16,397,130</b>	<b>\$ 10,611,832</b>	<b>\$ 69,588,493</b>

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

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (THIS STATEMENT)</b>	<b>\$ 14,347,018</b>
<b>Revenue earned</b> as an economic resource, but not a financial resource.	<b>\$ (769,138)</b>
<b>Governmental funds report capital outlays</b> 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.	<b>\$ 2,726,721</b>
<b>Debt service principal payments</b> 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.	<b>\$ 726,488</b>
<b>Increases in Other Post-Employment Benefits</b> do not require financial resources and the increase in benefit expense is only reported on the government-wide statements.	<b>\$ 1,489,786</b>
<b>Increases in Compensated Absence balances</b> do not require financial resources and the increase in benefit expenses is only reported on the government-wide statements.	<b>\$ (111,316)</b>
<b>Pension-related assets, liabilities and deferrals</b> 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.	<b>\$ 698,434</b>

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.

\$ 600,670

**CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES**

**\$ 19,708,663**

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**CITY OF TUMWATER**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2022**

	Business-type Activities			Governmental Activities
	Combined Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash & Cash Equivalents	\$ 27,804,300	\$ 32,859	\$ 27,837,159	\$ 4,480,652
Investments	10,197,121	-	10,197,121	1,174,852
Accounts Receivable	1,582,983	26	1,583,009	-
Interest	13,890	-	13,890	1,616
Interfund Loan Receivable	2,124,691	-	2,124,691	-
Due from Other Governments	127,524	-	127,524	-
Inventories	209,806	299,338	509,144	19,122
Prepays	-	-	-	214,843
<b>Total Current Assets</b>	<b>42,060,315</b>	<b>332,223</b>	<b>42,392,538</b>	<b>5,891,085</b>
Noncurrent Assets:				
Historical Artifacts, Land, and Construction in Progress	6,608,592	104,225	6,712,817	146,683
Other Capital Assets, Net of Depreciation	63,358,546	2,222,040	65,580,586	4,410,094
Leases Receivable	62,384	37,665	100,049	-
Net Pension Asset	489,385	198,556	687,941	220,087
<b>Total Noncurrent Assets</b>	<b>70,518,907</b>	<b>2,562,486</b>	<b>73,081,393</b>	<b>4,776,864</b>
<b>Total Assets</b>	<b>\$ 112,579,222</b>	<b>\$ 2,894,709</b>	<b>\$ 115,473,931</b>	<b>\$ 10,667,949</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	487,606	197,835	685,441	219,286
<b>Total Deferred Outflows of Resources</b>	<b>\$ 487,606</b>	<b>\$ 197,835</b>	<b>\$ 685,441</b>	<b>\$ 219,286</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 113,066,828</b>	<b>\$ 3,092,544</b>	<b>\$ 116,159,372</b>	<b>\$ 10,887,235</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Vouchers Payable	\$ 1,298,750	\$ 59,047	\$ 1,357,797	\$ 186,060
Payroll Payable	212,662	36,541	249,203	37,867
Deposits Payable	12,963	183,809	196,772	-
Interfund Loans Payable	-	502,500	502,500	-
Accrued Interest Payable	-	1,015	1,015	-
Compensated Absences Payable	182,764	31,261	214,025	28,633
Current Portion of Long Term Debt	-	77,251	77,251	-
<b>Total Current Liabilities</b>	<b>1,707,139</b>	<b>891,424</b>	<b>2,598,563</b>	<b>252,560</b>
Noncurrent Liabilities:				
Net Pension Liability	282,382	114,570	396,952	126,993
Compensated Absences Payable	112,302	19,209	131,511	17,594
Long Term Liabilities (Net of Amortized Discount)	691,809	194,132	885,941	43,406
<b>Total Noncurrent Liabilities</b>	<b>1,086,493</b>	<b>327,911</b>	<b>1,414,404</b>	<b>187,993</b>
<b>Total Liabilities</b>	<b>\$ 2,793,632</b>	<b>\$ 1,219,335</b>	<b>\$ 4,012,967</b>	<b>\$ 440,553</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases	61,786	37,292	99,078	-
Pensions	537,129	217,928	755,057	241,559
<b>Total Deferred Inflows of Resources</b>	<b>\$ 598,915</b>	<b>\$ 255,220</b>	<b>\$ 854,135</b>	<b>\$ 241,559</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 3,392,547</b>	<b>\$ 1,474,555</b>	<b>\$ 4,867,102</b>	<b>\$ 682,112</b>
<b>NET POSITION</b>				
Net Investment in Capital	69,967,138	2,326,265	72,293,403	4,556,777
Restricted for:				
Net Pension Asset	489,385	198,556	687,941	220,087
Unrestricted	39,217,758	(906,832)	38,310,926	5,428,259
<b>Total Net Position</b>	<b>\$ 109,674,281</b>	<b>\$ 1,617,989</b>	<b>\$ 111,292,270</b>	<b>\$ 10,205,123</b>

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 Fiscal Year Ended**  
**December 31, 2022**

	Business-type Activities			Governmental Activities
	Combined Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 20,656,214	\$ 1,394,405	\$ 22,050,619	\$ 3,095,927
Other Operating Revenue	438,033	117,975	556,008	198,672
<b>Total Operating Revenues</b>	<b>\$ 21,094,247</b>	<b>\$ 1,512,380</b>	<b>\$ 22,606,627</b>	<b>\$ 3,294,599</b>
<b>OPERATING EXPENSES</b>				
Operations & Maintenance	12,520,284	1,718,590	14,238,874	980,589
Administration Overhead	3,997,388	109,919	4,107,307	1,703,827
Taxes Expense	1,550,482	6,803	1,557,285	-
Depreciation & Amortization	2,306,898	262,112	2,569,010	756,084
<b>Total Operating Expenses</b>	<b>\$ 20,375,052</b>	<b>\$ 2,097,424</b>	<b>\$ 22,472,476</b>	<b>\$ 3,440,500</b>
<b>Operating Income (Loss)</b>	<b>\$ 719,195</b>	<b>\$ (585,044)</b>	<b>\$ 134,151</b>	<b>\$ (145,901)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	(48,151)	4,503	(43,648)	(5,087)
Interest Expense	(14,098)	(22,213)	(36,311)	(2,650)
Miscellaneous	20,217	-	20,217	-
Other Income (Expense)	-	-	-	(3,849)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (42,032)</b>	<b>\$ (17,710)</b>	<b>\$ (59,742)</b>	<b>\$ (11,586)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ 677,163</b>	<b>\$ (602,754)</b>	<b>\$ 74,409</b>	<b>\$ (157,487)</b>
Capital Contributions	6,551,563	-	6,551,563	314,311
Transfers In	-	658,470	658,470	443,845
Transfers Out	(944,000)	(24,700)	(968,700)	-
<b>Change in Net Position</b>	<b>\$ 6,284,726</b>	<b>\$ 31,016</b>	<b>\$ 6,315,742</b>	<b>\$ 600,669</b>
Total Net Position - Beginning	103,389,555	1,586,973	104,976,528	9,604,454
<b>Total Net Position - Ending</b>	<b>\$ 109,674,281</b>	<b>\$ 1,617,989</b>	<b>\$ 111,292,270</b>	<b>\$ 10,205,123</b>

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 Fiscal Year Ended**  
**December 31, 2022**

	Business-type Activities - Enterprise Funds			Governmental
	Combined Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts from Customers	\$ 18,783,095	\$ 1,394,405	\$ 20,177,500	\$ -
Cash from Quasi-External Operating Activities	-	-	-	3,294,599
Cash from Other Operating Activities	214,952	90,382	305,334	-
Payments to Suppliers of Goods and/or Services	(7,975,121)	(961,053)	(8,936,174)	(1,624,922)
Payments to Employees	(4,297,314)	(934,166)	(5,231,480)	(888,349)
Payments to Quasi-External Operating Activities	(2,174,072)	(84,417)	(2,258,489)	(328,174)
Payments for Other Operating Activities	(1,550,152)	(6,803)	(1,556,955)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,001,388</b>	<b>\$ (501,652)</b>	<b>\$ 2,499,736</b>	<b>\$ 453,154</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund Loan Proceeds	485,287	-	485,287	-
Repayment of Interfund Loan	-	286,768	286,768	-
Interest Received on Interfund Loan	55,733	-	55,733	-
Interest Paid on Interfund Loan	-	(11,494)	(11,494)	-
Transfer from Other Funds	-	658,470	658,470	443,845
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>\$ 541,020</b>	<b>\$ 933,744</b>	<b>\$ 1,474,764</b>	<b>\$ 443,845</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments for Capital Acquisitions	\$ (10,513)	\$ (5,950)	\$ (16,463)	\$ (960,245)
Proceeds from Sale of Assets	20,217	-	20,217	(3,848)
Payments Received on Leases	61,786	37,292	99,078	-
Interest Received on Leases	1,442	1,444	2,886	-
Principal Repayment on Bond	-	(1,170,000)	(1,170,000)	-
Interest Paid on Bond	-	(34,990)	(34,990)	-
Principal Payment on Leases	54,369	(125,984)	(71,615)	(9,591)
Transfers to Other Funds	(944,000)	(24,700)	(968,700)	-
Contributions in Aid of Construction	1,798,119	-	1,798,119	-
Interest Paid on Leases	(14,098)	(4,310)	(18,408)	(2,650)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>\$ 967,322</b>	<b>\$ (1,327,198)</b>	<b>\$ (359,876)</b>	<b>\$ (976,334)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net (Increase) Decrease in Investments	\$ (1,754,745)	\$ -	\$ (1,754,745)	\$ 68,355
Receipts of Investment Interest	(107,224)	3,059	(104,165)	(5,087)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ (1,861,969)</b>	<b>\$ 3,059</b>	<b>\$ (1,858,910)</b>	<b>\$ 63,268</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 2,647,761</b>	<b>\$ (892,047)</b>	<b>\$ 1,755,714</b>	<b>\$ (16,067)</b>
Cash and Cash equivalents - January 1st	25,156,539	924,906	26,081,445	4,496,719
<b>Cash and Cash Equivalents - December 31st</b>	<b>\$ 27,804,300</b>	<b>\$ 32,859</b>	<b>\$ 27,837,159</b>	<b>\$ 4,480,652</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income	\$ 719,195	\$ (585,044)	\$ 134,151	\$ (145,901)
Noncash Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	2,306,898	262,112	2,569,010	756,083
Changes in Assets and Liabilities:				
Customer Receivables	(32,391)	-	(32,391)	-
Other Operating Receivables	(220,823)	(37,665)	(258,488)	(157,360)
Inventory	(3,892)	(114,807)	(118,699)	250
Accounts Payable - Supplier	404,415	32,169	436,584	160,360
Accounts Payable - Other	8,163	10,070	18,233	-
Salaries & Benefits Payable	(200,587)	(69,627)	(270,214)	(156,664)
Compensated absences	20,413	1,140	21,553	(3,614)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,001,391</b>	<b>\$ (501,652)</b>	<b>\$ 2,499,739</b>	<b>\$ 453,154</b>
<b>Noncash investing, capital and financing activities</b>				
Contributed Capital	\$ 4,753,444	-	\$ 4,753,444	\$ 314,311
<b>Total Noncash Investing, Capital and Financing Activities</b>	<b>\$ 4,753,444</b>	<b>\$ -</b>	<b>\$ 4,753,444</b>	<b>\$ 314,311</b>

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, 2022**

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 308,500
<b>Total Assets</b>	<b>\$ 308,500</b>
 <b>NET POSITION</b>	
Restricted for:	
LERMS	\$ 240,018
Evidence Funds	47,164
Due to Others	21,318
<b>Total Net Position</b>	<b>\$ 308,500</b>

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

**CITY OF TUMWATER**  
**Statement of Changes in Fiduciary Net Position**  
**December 31, 2022**

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
LERMS Services	\$ 432,409
Establish LERMS Fund Balance	220,970
LERMS Investment Interest	1,323
Evidence Funds Deposited	2,523
<b>Total Additions</b>	<b>\$ 657,225</b>
<b>DEDUCTIONS</b>	
Professional Services	\$ 239,401
Software Maintenance	175,283
Evidence Funds Disbursed	576
Liability Correction	599
<b>Total Deductions</b>	<b>415,859</b>
Net Increase (Decrease) in Fiduciary Net Position	241,366
Net Position - Beginning	67,134
<b>Net Position - End</b>	<b>\$ 308,500</b>

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

**CITY OF TUMWATER, WASHINGTON**  
**Notes to the Financial Statements**  
**December 31, 2022**

**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 general government blended component unit 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. 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 funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund's financial statements.

Both the TBD and TMPD blended component units are combined with Governmental Activities on the Entity-wide Statement of Net Position and Statement of Activities. For the Fund Statements, both blended component units are combined with special revenue Nonmajor Funds on the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

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### **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 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 *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 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 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. 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 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, 2022 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, 2022.

#### 1.D.2 – Receivables

Taxes receivables 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 consist 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 of more than 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 on 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 2022, the City annexed some small pocket areas, often referred to as islands, within the City borders that were not previously incorporated within City limits. The islands that were annexed had no related acquisition of assets or other transactions, as the City already owned the infrastructure for services provided to the properties and does not own the land. The island annexation included 116 total parcels of land.

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 life 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 *Governmental 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 it is incurred. This includes the cost of services provided by the regional wastewater 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 assets 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 the current year expenditures. With the implementation of GASB87, the Balance Sheet also includes a deferred inflow line for leases, which are exchange transactions for which revenue has been earned but is not available for the current year's 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 remain 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		
<b>FUND BALANCES</b>						
<b>Restricted for:</b>						
Public Safety Levy	\$969,074					\$960,074
Restricted Donation	14,000			\$5,685		19,685
Transportation Benefit District					\$6,052,975	6,052,975
Metropolitan Park District					3,684,143	3,684,143
G.O. Bond Debt Service			\$90,137			90,137
Impact & Mitigation Fees		\$15,677,625				15,677,625
Lake Management District					51,378	51,378
Lodging Tax Funds					687,029	687,029
Affordable Housing Sales Tax Fund					77,728	77,728
Drug Enforcement					56,043	56,043
Domestic Violence Advocacy					2,536	2,536
<b>Committed to:</b>						
Emergency Preparedness	1,447,879					1,447,879
Capital Facilities Plan				16,391,445		16,391,445
<b>Assigned to:</b>						
Facilities Maintenance	1,957,625					1,957,625
Community Development	510,289					510,289
E-Link & Fiberoptics	738,661					738,661
Tumwater Youth Program	95,576					95,576
Parks Board	114,568					114,568
Historical Commission	20,228					20,228
K-9 Program	1,908					1,908
<b>Unassigned:</b>	20,941,961					20,941,961
<b>TOTAL FUND BALANCE</b>	<b>\$26,811,769</b>	<b>\$15,677,625</b>	<b>\$90,137</b>	<b>\$16,397,130</b>	<b>\$10,611,832</b>	<b>\$69,588,493</b>

Totals of All Funds By Classification:	
Restricted	\$ 27,368,353
Committed	\$ 17,839,324
Assigned	\$ 3,438,855
Unassigned	\$ 20,941,961
<b>TOTAL OF ALL FUNDS</b>	<b>\$ 69,588,493</b>



**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	1,778,904	
Fines and Forfeitures	44,338	
Grants	78,746	
Investment Market Value Adjustment	<u>(1,048,856)</u>	853,132
Pension-Related		
Net Pension Asset - LEOFF 1 and 2	9,911,713	
Deferred Outflows	6,179,817	
Net Pension Liabilities (PERS)	(1,447,999)	
Deferred Inflows	<u>(6,388,193)</u>	8,255,338
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Accumulated Depreciation		178,570,423
Other Assets		
Equity Interest in Joint Venture		329,391
Internal Service Fund Net Position		10,205,123
Long-term Debt Related		
Accrued Interest	(3,360)	
Leases	(193,188)	
Due Within One Year	(161,490)	
Due Within More than One Year	<u>(825,282)</u>	(1,183,320)
Compensated Absence Liability		(1,852,510)
Other Post-employment Employee Benefits		<u>(5,986,063)</u>
<b>Total Conversion Adjustments</b>		<b><u><u>189,191,514</u></u></b>

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	249,927	
Fines and Forfeitures	(17,825)	
Grants	(155,826)	
Investment Value Adjustment	<u>(845,414)</u>	(769,138)
Change in Pension Expense		698,434
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Depreciation Related		
Change in Equity Interest in Joint Venture	24,739	
Change in Capital Outlay	5,174,246	
Change in Depreciation	(3,949,582)	
Contributed Assets	1,678,153	
Other (Sales Proceeds in Excess of Gain)	<u>(200,835)</u>	2,726,721
Internal Service Fund Change in Net Position		600,670
Long-term Debt Related		
Amortization of Premiums and Accrual of Interest	51,191	
Principal Debt Service Payments	<u>675,297</u>	726,488
Change in Other Post-employment Employee Benefits		1,489,786
Change in Compensated Absences		<u>(111,316)</u>
<b>Total Conversion Adjustment</b>		<b><u><u>5,361,645</u></u></b>

The net effect of \$698,434 pension-related benefit change 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 except for the fiduciary funds. Budgets established for proprietary funds are “management budgets”.

The biennial budget, which begins in 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 commence and may be continued to no later than the 25<sup>th</sup> 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 money in interest expense 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), banker's acceptances, and investment deposits.

At the end of the current reporting period, the City held bank deposits in the amount of \$12,579,175, bank-held bond investments of \$26,778,532, and an LGIP deposit of \$73,535,923. It also held cash-on-hand of \$5,975, as well as deposits of \$308,500 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 depositories 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 daily. 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](http://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 ensure 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:

Investment Type	12/31/2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
UST Strips	\$980,469		\$980,469	
UST Strips	967,344		967,344	
Federal National Mortgage Assoc.	1,440,840		1,440,840	
UST Strips	1,916,954		1,916,954	
Federal National Mortgage Assoc.	2,931,630		2,931,630	
Federal Home Loan Mortgage Corp	1,411,595		1,411,595	
UST Strips	938,906		938,906	
UST Strips	1,915,890		1,915,890	
UST Strips	2,342,359		2,342,359	
UST Strips	936,719		936,719	
Federal Home Loan Bank	1,846,972		1,846,972	
UST Strips	1,827,812		1,827,812	
Federal Home Loan Bank	1,809,124		1,809,124	
Federal Home Loan Bank	1,810,470		1,810,470	
Federal National Mortgage Assoc.	1,956,267		1,956,267	
Federal Home Loan Bank	1,745,182		1,745,182	
<b>Total</b>	<b>\$26,778,532</b>	<b>\$ -</b>	<b>\$26,778,532</b>	<b>\$ -</b>

<u>Investment Type</u>	<u>Market Value</u>	<u>Average Maturity (Months)</u>	<u>1-12 Months</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>60+ Months</u>
UST Strips	\$980,469	6.00	\$980,469			
UST Strips	967,344	9.00	967,344			
Federal National Mortgage Assoc.	1,440,840	11.00	1,440,840			
UST Strips	1,916,954	12.00	1,916,954			
Federal National Mortgage Assoc.	2,931,630	14.00		\$2,931,630		
Federal Home Loan Mortgage Corp	1,411,595	17.00		1,411,595		
UST Strips	938,906	18.00		938,906		
UST Strips	1,915,890	21.00		1,915,890		
UST Strips	2,342,359	23.00		2,342,359		
UST Strips	936,719	24.00		936,719		
Federal Home Loan Bank	1,846,972	25.00			\$1,846,972	
UST Strips	1,827,812	28.00			1,827,812	
Federal Home Loan Bank	1,809,124	32.00			1,809,124	
Federal Home Loan Bank	1,810,470	32.00			1,810,470	
Federal National Mortgage Assoc.	1,956,267	35.00			1,956,267	
Federal Home Loan Bank	1,745,182	44.00			1,745,182	
<b>Total</b>	<b>\$26,778,532</b>	<b>22.57</b>	<b>\$5,305,607</b>	<b>\$10,477,099</b>	<b>\$10,995,827</b>	<b>\$ -</b>

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 \$2.5 million par value and the portfolio is diversified between at least three 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 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, 2022	
<u>Statement of net position</u>	
Cash and cash equivalents	\$ 85,795,166
Restricted cash & investments	19,685
Investments	26,778,532
<u>Statement of fiduciary net position</u>	
Cash and cash equivalents	308,500
<b>Total Deposits &amp; Investments</b>	<b>\$ 112,901,883</b>

#### 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 \$2.26 for 2022. Total taxes levied were \$10,569,368 based on that rate on a certified assessed valuation of \$4,649,454,436.

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 2022 were \$1,877,301 at a rate

of \$0.40 per \$1,000 of assessed valuation of \$4,649,454,436. 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	\$113,680	-	\$20,009	\$133,689
Sales Taxes	1,785,237	-	419,659	2,204,896
Business & Occupational Taxes	873,567	-	-	873,567
Utility Taxes	506,348	312,084	-	818,432
All Other Taxes	<u>250,613</u>	<u>101,361</u>	<u>73,312</u>	<u>425,286</u>
<b>Total</b>	<b><u>\$3,529,445</u></b>	<b><u>\$413,445</u></b>	<b><u>\$512,980</u></b>	<b><u>\$4,455,870</u></b>

#### 4.4 – Capital Assets

Governmental capital asset activity for the ended December 31, 2022 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
<u>Capital Assets not being Depreciated:</u>				
Historic Artifacts	\$851,123	\$ -	\$ -	\$851,123
Land	5,561,913	554,605	(65,315)	6,051,203
Right of Way	82,862,274	-	-	82,862,274
Work in Progress	10,543,175	5,330,459	(2,149,665)	13,723,969
Total Capital Assets not being Depreciated	<u>\$99,818,485</u>	<u>\$5,885,064</u>	<u>\$(2,214,980)</u>	<u>\$103,488,569</u>
<u>Other Capital Assets:</u>				
Buildings	\$12,822,935	\$ 338,949	\$ (135,520)	\$13,026,364
Improvements	14,815,349	1,029,353	-	15,844,702
Machinery and Equipment	12,671,086	1,479,726	(136,874)	14,013,938
Capitalized Integrated Software	529,379	-	-	529,379
Leases	-	288,872	-	288,872
Roadways	130,881,883	1,680,401	-	132,562,284
Total Other Capital Assets at Historical Cost	<u>\$171,720,632</u>	<u>\$4,817,302</u>	<u>\$(272,394)</u>	<u>\$176,265,539</u>
<u>Less Accumulated Depreciation:</u>				
Buildings	\$(9,247,937)	\$(296,858)	\$ -	\$(9,544,794)
Improvements	(4,672,777)	(583,358)	301,085	(4,955,050)
Machinery and Equipment	(7,525,367)	(835,164)	76,235	(8,284,296)
Capitalized Integrated Software	(479,206)	(35,523)	-	(514,729)
Leases	-	(65,081)	-	(65,081)
Roadways	(70,076,094)	(3,186,863)	-	(73,262,957)
Accumulated Depreciation Total	<u>\$(92,001,381)</u>	<u>\$(5,002,847)</u>	<u>\$377,321</u>	<u>\$(96,626,907)</u>
Other Capital Assets, Net of Depreciation	<u>\$79,719,251</u>	<u>\$(185,545)</u>	<u>\$104,927</u>	<u>\$79,638,633</u>
<b>NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</b>	<b><u>\$179,537,736</u></b>	<b><u>\$5,699,519</u></b>	<b><u>\$(2,110,054)</u></b>	<b><u>\$183,127,202</u></b>



Depreciation was charged to functions as follows:

Governmental Activities

General Government	\$97,722
Public Safety - Police	\$191,464
Public Safety - Fire	\$206,298
Public Works - Roadway	\$3,187,112
Economic Environment	\$173
Culture & History	\$139,356
Parks & Recreation	\$127,454

In addition, depreciation on capital assets held by an internal service fund is charged to various functions \$675,947

based on their usage of the assets owned by the fund.

TOTAL GOVERNMENTAL ACTIVITIES

DEPRECIATION EXPENSE \$4,625,526

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, 2022 was as follows:

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<u>Capital Assets not being Depreciated:</u>				
Land and Improvements	\$4,255,535	\$-	\$ -	\$4,255,535
Water Rights	753,036	27,945	-	780,981
Construction in Process	2,304,893	580,962	(1,209,554)	1,676,301
Total Capital Assets not being Depreciated	\$7,313,464	\$608,907	\$(1,209,554)	\$6,712,817
<u>Other Capital Assets:</u>				
Buildings	\$3,078,027	\$ -	\$ -	\$3,078,027
System Improvements	95,429,582	5,190,309	-	100,619,891
Machinery and Equipment	3,414,718	180,243	-	3,594,961
Leases	-	698,355	-	698,355
Total Other Capital Assets at Historical Cost	\$101,922,327	\$6,068,907	\$-	\$107,991,234
Total Assets	\$109,235,791	\$6,677,814	\$(1,209,554)	\$114,704,051
<u>Less Accumulated Depreciation/Amortization:</u>				
Buildings	\$(1,396,039)	\$(97,617)	\$ -	\$(1,493,656)
System Improvements	(36,554,423)	(2,317,546)	-	(38,871,969)
Machinery and Equipment	(1,891,178)	(141,593)	-	(2,032,771)
Leases Amortization	-	(12,252)	-	(12,252)
Total Accumulated Depreciation	\$(39,841,640)	\$(2,569,008)	\$ -	\$(42,410,648)
Other Capital Assets, Net of Depreciation	\$62,080,687	\$3,499,899	\$ -	\$65,580,586
<b>NET BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS</b>	<b>\$69,394,151</b>	<b>\$4,108,806</b>	<b>\$(1,209,554)</b>	<b>\$72,293,403</b>

Depreciation was charged to functions as follows:

Business-Type Activities

Combined Utility	\$2,306,896
Golf Course	262,112

TOTAL BUSINESS-TYPE ACTIVITIES

DEPRECIATION EXPENSE \$2,569,008



#### 4.5 – Construction Commitments

The City has active construction projects in progress as of December 31, 2022. 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. 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. During the year \$167,500 of the debt was paid. The principal balance at the end of the year is \$502,500. This interfund loan is reported on the fund-wide Net Position 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 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 \$480,000, which paid off the interfund loan in 2022 and is no longer reported on the statements.

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. During the year payments were made in the amount of \$772,055. The principal balance at the end of the year is \$1,622,192. This interfund loan is represented as an interfund loan receivable and Due to Other Governments on all applicable statements.

##### Transfers

The General Fund transferred \$594,065 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 \$686,016 to the Capital Project Fund for capital project support, the majority of which was for the Brewtower restoration project. The Development Fee Fund transferred money totaling \$1,446,712, 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 \$200,000 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 Combined Utilities Fund transferred \$923,000 to the Capital Projects Fund to support the purchase of a new citywide Enterprise Resource Planning (ERP) system. The General Fund also funded operations of the Golf Course Fund with a transfer of \$458,470. The General Fund transferred \$398,145 to the Internal Service Fund for equipment purchases. The Internal Service Fund also received \$21,000 from the combined Utilities Fund and \$24,700 from the Golf Course Fund for the purchase of new equipment. The Capital

Projects Fund also transferred \$50,000 to General Fund for park improvements and historical projects, and \$94,675 to the Debt Service Fund for energy upgrade project.

Transfers Out	Transfers In					Total Transfers In
	General Fund	Debt Service Fund	Capital Projects Fund	Golf Course Fund	Internal Service Fund	
General Fund		594,065	686,016	458,470	398,145	<b>2,136,696</b>
Development Fees Fund			1,446,712			<b>1,446,712</b>
Capital Projects Fund	50,000	94,675		200,000		<b>344,675</b>
Combined Utilities Fund			923,000		21,000	<b>944,000</b>
Golf Course Fund Fund					24,700	<b>24,722</b>
<b>Total Transfers Out</b>	<b>50,000</b>	<b>688,740</b>	<b>3,055,728</b>	<b>658,470</b>	<b>443,845</b>	<b>4,896,783</b>

**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 implemented GASB 87, Leases, for fiscal year 2022. Under the new accounting standard, the terms “capital lease” and “operating lease” are no longer used. All leases that exceed the City’s capital asset threshold and last longer than 12 months are recorded as long-term debt following the rules outlined in GASB 87. The standard recognizes that the government enters into a long-term agreement and finances the right to use the underlying asset, whether it owns the asset at the end of the lease or not. Principal and interest payments are recognized, and the asset is amortized over the lease period. All payments have been made in a timely way. See Note 13 for additional information on leases.

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.

In April 2022, the only outstanding general obligation bond was recalled and paid off entirely. The City has no outstanding general obligation bonds as of December 31, 2022.

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
Fire Pumper Truck	1.580%	\$450,285
Golf Maintenance Equipment	1.580%	\$243,533
Street Lights & HVAC	2.326%	<u>\$430,000</u>
		<u>\$1,123,818</u>

ANNUAL DEBT SERVICE REQUIREMENTS TO  
MATURITY FOR CERTIFICATES OF PARTICIPATION  
BONDS

Year Ending December 31	Principal	Interest
2023	238,741	46,522
2024	246,678	34,387
2025	260,012	21,719
2026	184,335	11,511
2027	194,052	3,901
2028-2032	-	-
<b>TOTAL</b>	<b>1,123,818</b>	<b>118,040</b>

In 2017 the City purchased fifty-five new electric golf carts under a vendor lease agreement. The lease qualifies as a capital lease for accounting purposes and is recorded at the present value of the future lease payments. In 2022, the City implemented GASB 87, Accounting for Leases. The lease agreement expired mid-2022, and therefore, GASB 87 did not apply. At the expiration of the lease there was no option to purchase the golf carts, and in accordance with the lease agreement, the City continued to make monthly payments. The City executed a new lease agreement for a new fleet of golf carts in early 2023. Due to supply chain issues, the City has not received the new fleet, and continues to lease the old golf carts on a month-to-month basis.

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:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b>Bonds and Notes Payable</b>					
Capital Lease & COP Obligations	\$1,512,895	\$-	\$(632,610)	\$880,285	\$161,490
	1,512,895	-	(632,610)	880,285	161,490
Plus Premiums / Less Discounts	157,043	-	(50,556)	106,487	23,293
<b>Total Bonds and Notes Payable</b>	<b>1,669,938</b>	<b>-</b>	<b>(683,166)</b>	<b>986,772</b>	<b>184,783</b>
<b>Other Liabilities</b>					
Compensated Leave	1,791,035	107,702	-	1,898,737	1,176,078
Net Pension Liability *	517,721	1,057,271	-	1,574,992	-
Total OPEB Liability**	7,541,999	-	(1,497,256)	6,044,743	142,000
<b>GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES</b>	<b>\$11,520,693</b>	<b>\$1,164,973</b>	<b>\$ (2,180,422)</b>	<b>\$10,505,244</b>	<b>\$ 1,502,861</b>

\*See also separate note for pension-related liabilities

\*\*See also separate note for OPEB-related liabilities

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b>Bonds and Notes Payable</b>					
General Obligation Bonds (Golf Course)	\$1,170,000	\$ -	\$(1,170,000)	\$-	\$-
Other Capital Lease Obligations	369,517	-	(125,985)	243,532	77,251
	1,539,517	-	(1,295,985)	243,532	77,251
Plus Premiums	66,307	-	(38,457)	27,850	-
<b>Total Bonds and Notes Payable</b>	<b>1,605,118</b>	<b>-</b>	<b>(1,334,442)</b>	<b>271,382</b>	<b>77,251</b>
<b>Other Liabilities</b>					
Compensated Leave	323,983	21,553	-	345,536	214,025
Net Pension Liability *	233,252	163,700	-	396,952	-
<b>BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES</b>	<b>\$2,163,059</b>	<b>\$185,253</b>	<b>\$(1,334,442)</b>	<b>\$1,013,870</b>	<b>\$291,276</b>

\* 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 \$46,227 and is reported in Governmental Activities. Total interest expense in the current reporting year for long-term debt, other than internal loans, was \$45,247. 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 \$295,788 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)

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 \$33,603, 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 the current year's population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). All property is jointly owned. The 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 Tumwater accounted for the joint venture in a separate agency fund as of December 31, 2022. Completed Financial Statements can be obtained from the City of Tumwater Finance Department, 555 Israel Rd SW, Tumwater, WA 98501.

**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, 2022 is as follows:

**ASSETS AND LIABILITIES**

Cash and Cash Equivalents	\$ 5,851,391
Taxes Receivable	419,659
Interest Receivable	111
Deferred Inflows - Taxes	(218,187)
Fund Balance and Net Position	<u>6,052,975</u>

**REVENUES AND EXPENDITURES**

Sales & Use Taxes	2,535,324
Investment Earnings	62,138
Intergovernmental Contract	(90,042)
Change in Fund Balance and Net Position	<u>2,507,421</u>
Beginning Fund Balance and Net Position	<u>3,545,555</u>
Ending Fund Balance and Net Position	<u>6,052,975</u>

The TTBD is a legally separate entity that is reported as a special revenue blended component unit in the Total Nonmajor Funds 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, 2022. The condensed financial information is as follows:

**ASSETS AND LIABILITIES**

Cash and Cash Equivalents	\$ 2,720,727
Investments	959,570
Taxes Receivable	20,009
Interest Receivable	444
Deferred Inflows – Taxes	(16,607)
Fund Balance and Net Position	<u>3,684,143</u>

**REVENUES AND EXPENDITURES**

Property Taxes	1,849,613
Unrestricted Investment Earnings	52,609
Operating Grants and Contributions	9,970
Intergovernmental Contract	(1,068,933)
Insurance	<u>(5,000)</u>
Change in Fund Balance and Net Position	838,259
Beginning Fund Balance and Net Position	<u>2,845,884</u>
Ending Fund Balance and Net Position	<u>3,684,143</u>

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.

<b>Aggregate OPEB Amounts</b>	
Total OPEB liabilities 12/31/2022	\$6,044,743
OPEB assets	-
Deferred outflows of resources	58,680
Deferred inflows of resources	-
OPEB expenses	(1,372,735)

**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,
- \$581.28 for Medicare-enrolled retiree coverage,
- \$581.28 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 \$170.10 for 2022 and is adjusted based on income factors. The annual deductible for all Medicare Part B beneficiaries is \$233 in 2022.

Employer costs 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 \$156,370 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 2.16% at the beginning and 3.54% 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.

<b>Sensitivity Analysis</b>			
<b>Total OPEB Liability</b>	1% Decrease	Current	1% Increase
<b>Discount Rate</b>	\$6,756,255	\$6,044,743	\$5,441,205
<b>Healthcare Trend</b>	5,464,958	6,044,743	6,712,468

As of December 31, 2022, the plan was 0% funded. The accrued liability for benefits was \$6,044,743 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.

<b>Total OPEB Liability at 1/1/2022</b>	7,541,999
Interest	159,723
Changes of benefit terms: difference between expected and actual experience, and changes in assumptions	(1,360,592)
Benefit payments	(296,387)
<b>Total OPEB Liability at 12/31/2022</b>	6,044,743

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	\$58,680	-

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 2022:



<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$(1,971,944)
Pension assets	\$10,819,742
Deferred outflows of resources	\$7,084,544
Deferred inflows of resources	\$(7,384,809)
Pension expense	\$905,538

### **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](http://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 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2022	10.25%	6.00%
July through December 2022	10.25%	6.00%

The city’s actual contributions to the plan were \$426,026 for the year ended December 31, 2022.

**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 aged 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 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through June 2022	10.25%	6.36%
July through December 2022	10.25%	6.36%
Employee PERS Plan 3		varies

\* For employees participating in JBM, the employer contribution rate was 12.75%

The city's actual contributions to the plan were \$720,725 for the year ended December 31, 2022.

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:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
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 2022. 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 2022 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2022	5.30%	8.53%
July through December 2022	5.30%	8.53%

The City of Tumwater’s actual contributions to the plan were \$481,653 for the year ended December 31, 2022.

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, 2022, the state contributed \$81,388,085 to LEOFF Plan 2 system-wide, and \$312,004 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 2022 with a valuation date of June 30, 2021. 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 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries’ Pub.H-2010 mortality rates, which vary by member status (e.g., Active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to 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 have been changes in methods and assumptions since the last valuation. Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR), the OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020, AVR. You can find more information in the Actuarial Assumptions and Methods section of the 2020 AVR A summary of the changes is outlined below:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in their model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.50 (7.140 for LEOFF 2) to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent. This action is a result of recommendations from their biennial economic experience study. Details can be found in their full report.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 ACFR, 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 7.0 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 7.0 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**

The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
	<b>100.00%</b>	

### 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 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
PERS 1	\$3,719,876	\$2,784,367	\$1,967,887
PERS 2/3	\$4,367,575	\$(3,708,781)	\$(10,344,018)
LEOFF 1	\$(2,513,869)	\$(2,868,613)	\$(3,176,231)
LEOFF 2	\$(125,147)	\$(2,717,698)	\$(4,839,479)

### 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, 2022, the city reported a total pension liability of \$1,971,944 and total pension assets of \$10,819,742 for its proportionate share of the net pension liabilities as follows:

	<b>Asset</b>	<b>Liability</b>
PERS 1	-	\$1,971,944
PERS 2/3	\$3,417,493	-
LEOFF 1	\$752,150	-
LEOFF 2	\$6,650,098	-
<b>TOTAL</b>	<b>\$10,819,742</b>	<b>\$1,971,944</b>

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:

<b>Liability (or Asset)</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
Employer's proportionate share	\$(752,150)	\$(6,650,098)



State's proportionate share of the net pension liability/(asset) associated with the employer	\$(5,087,526)	\$(4,307,789)
<b>TOTAL</b>	<b>\$(5,839,676)</b>	<b>\$(10,957,887)</b>

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

	<b>Proportionate Share 6/30/21</b>	<b>Proportionate Share 6/30/22</b>	<b>Change in Proportion</b>
PERS 1	0.061493%	0.070822%	0.009329%
PERS 2/3	0.079031%	0.092146%	0.013115%
LEOFF 1	0.025520%	0.026220%	0.000700%
LEOFF 2	0.225896%	0.244696%	0.018800%

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 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2022, 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 2022, the state of Washington contributed 39.312221 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.687779 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2021, with updated procedures used to roll forward the total pension liability to the measurement date.

### **Pension Expense**

For the year ended December 31, 2022, the city recognized pension expense as follows:

<b>Pension</b>	<b>Expense</b>
PERS 1	\$1,127,049
PERS 2/3	\$(1,199,392)
LEOFF 1	\$(51,153)
LEOFF 2	\$1,029,035
<b>TOTAL</b>	<b>\$905,539</b>

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

At December 31, 2022, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	-	\$(326,809)
Contributions subsequent to the measurement date	\$229,256	-
<b>TOTAL</b>	<b>\$229,256</b>	<b>\$(326,809)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$846,775	\$(77,363)
Net difference between projected and actual investment earnings on pension plan investments	-	\$(2,526,578)
Changes of assumptions	\$1,904,781	\$(498,740)
Changes in proportion and differences between contributions and proportionate share of contributions	\$40,849	\$(321,414)
Contributions subsequent to the measurement date	\$383,406	-
<b>TOTAL</b>	<b>\$3,175,810</b>	<b>\$(3,424,095)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	-	\$(93,916)
<b>TOTAL</b>		<b>\$(93,916)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,580,173	\$(61,701)
Net difference between projected and actual investment earnings on pension plan investments	-	\$(2,226,708)
Changes of assumptions	\$1,684,658	\$(579,042)
Changes in proportion and differences between contributions and proportionate share of contributions	\$161,576	\$(672,538)
Contributions subsequent to the measurement date	\$253,071	-
<b>TOTAL</b>	<b>\$3,679,478</b>	<b>\$(3,539,989)</b>
<b>TOTAL DEFERRED OUTFLOW (INFLOW)</b>	<b>\$7,084,544</b>	<b>\$(7,384,809)</b>

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
--------------------------------	---------------



2023	\$(138,299)
2024	\$(125,611)
2025	\$(157,575)
2026	\$94,676
2027	-
Thereafter	-
<b>Total</b>	<b>\$(326,809)</b>

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2023	\$(820,931)
2024	\$(744,389)
2025	\$(897,081)
2026	\$1,095,102
2027	\$360,083
Thereafter	\$375,526
<b>Total</b>	<b>\$(631,690)</b>

<b>Year ended December 31:</b>	<b>LEOFF 1</b>
2023	\$(39,776)
2024	\$(36,015)
2025	\$(45,032)
2026	\$26,907
2027	-
Thereafter	-
<b>Total</b>	<b>\$(93,916)</b>

<b>Year ended December 31:</b>	<b>LEOFF 2</b>
2023	\$(759,433)
2024	\$(666,303)
2025	\$(866,857)
2026	\$900,388
2027	\$214,664
Thereafter	\$1,063,959
<b>Total</b>	<b>\$(113,582)</b>

**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 \$2.90 per eligible compensated hour with that hourly contribution increasing to \$3.15 per eligible compensated hour in 2023. The total required employer contribution and pension expense in the current reporting period was \$191,252. This includes the contribution for the last annual pay period, which was paid by January 10<sup>th</sup> 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 \$16,879. All required contributions were paid in a timely manner.

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, thirty-two (32) 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 the 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](http://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 can any adjustment reduce or remove any benefits protected by law.

### **NOTE 13 – LEASES**

#### **Lessor**

The City of Tumwater implemented a new accounting standard for fiscal year 2022, Governmental Accounting Standards Board statement No. 87 (GASB 87). This statement requires changes to the accounting treatment of leasing activities, adds note disclosures, and adds additional disclosure on the schedule of long term debt. Previously, leases (other than capital leases) were treated as operating revenues or expenses. Under the new accounting standard, governments are required to book assets and liabilities, and amortize the revenues and expenses over the life of the lease. The standard allows governments to set a threshold for lease reporting. A lease may be excluded from the reporting requirements if the total value of the lease, over its entire term, including options to renew, is below that threshold. For this purpose, the City uses the same dollar threshold it uses to identify capital assets. For 2022 that amount is \$5,000.

The City is the lessor for approximately 17 leases and three of those are applicable for reporting under GASB 87. Leases being reported under the new standard include space at Old Town

Center for a daycare, a cell tower lease, and space for a restaurant at the Tumwater Valley Golf Course.

When the City leases an asset to another party, the lease term is typically five years with options to renew. This is the case for cell tower leases and the space at Old Town Center. However, each lease is unique and is built around the needs of both parties. Although the City has a total of five cell tower leases, four of them have expired and are in a month-to-month status, so they are not reported under GASB 87. Those leases are in the process of being renewed in 2023.

For fiscal year 2022 the City recognized \$137,161.40 of total lease revenue, including interest. The City's leasing activities are not a primary source of revenue, and are immaterial to the City's operations.

In 2022 the City did not have:

- Lease revenues from residual guarantees or termination penalties
- Debt secured by lease payments
- Lease assets that were investments
- Sublease transactions
- Regulated leases
- Sale-leaseback transactions
- Leaseback-leaseback transactions

Lessee

As a lessee the City has 16 active leases, seven of which are applicable for reporting under GASB 87. Significant leases include five photocopy machines, land for a storm pond, and in-car video cameras for the City's fleet of Police cars. All of these leases, with the exception of the land, are five-year terms with no option to renew. Any available purchase options available are not likely to be exercised because the technology is typically outdated by the end of the lease. The land is a 30-year lease with two, 20-year renewal options which are likely to be exercised, and no option to purchase at the end of the lease. The land lease started with a \$350,000 lease credit, and does contain a provision for lease payments to increase in future years, which is indexed to inflation and evaluated every three years.

None of the City's current leases are capital leases.

The amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets, include:

<b>Assets</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Leased Land	\$ 698,355	\$ -	\$ 6,677	\$ 691,678
Leased Buildings	-	-	-	-
Leased Equipment	288,872	-	52,279	236,593
<b>Total</b>	<b>\$ 987,227</b>	<b>\$ -</b>	<b>\$ 58,956</b>	<b>\$ 928,271</b>

<b>Accumulated Amortization</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Leased Buildings	\$ -	\$ -	\$ -	\$ -
Leased Equipment	-	52,279	-	52,279
<b>Total</b>	<b>\$ -</b>	<b>\$ 52,279</b>	<b>\$ -</b>	<b>\$ 52,279</b>

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

<b>Year Ended December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Ending Balance</b>
2022	\$ 59,022	\$ 26,276	\$ 85,298
2023	61,703	25,362	87,065
2024	64,584	22,782	87,366
2025	67,605	19,762	87,367
2026	70,772	16,594	87,366
2027-2031	38,365	64,856	103,221
2032-2036	42,358	60,863	103,221
2037-2078	582,885	272,514	855,399
<b>Total</b>	<b>\$ 987,294</b>	<b>\$ 509,009</b>	<b>\$ 1,496,303</b>

In 2022 the City did not have:

- Lease outflows from residual guarantees or termination penalties
- Losses associated with impairments of lease assets
- Sublease transactions
- Sale-leaseback transactions
- Leaseback-leaseback transactions
- Collateral pledged for lease assets

#### **NOTE 14 – CONTINGENCIES AND LITIGATION**

As of December 31, several 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 currently. 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.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability

provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

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, 2022, 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United State Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

#### 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 was received in August 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 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 position 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 on as of the end of this reporting period.

#### **NOTE 18 – ACCOUNTING AND REPORTING CHANGES**

In 2022, the City reclassified how the Tumwater Transportation Benefit District (TBD) fund is reported on the financial statements to align with the specific function and activities of those funds more closely. The TBD fund was pulled out from the general fund and combined with all of the other special revenue funds within the Total Nonmajor Funds column on the financial statements. Beginning balances for all affected funds, including the general fund, have been restated to reflect these changes.

During 2022, the City reviewed GASB statements 87, 93, 97, and 98, Leases, Replacement of Interbank Offered Rates, Component Unit Criteria, and Annual Comprehensive Financial Report, 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 financing 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 fully implemented GASB 87 in fiscal year 2022.

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 hedging or derivatives. This GASB statement does not apply to the City.

GASB Statement No. 97 – The purpose of this GASB is to clarify cases where a legally separate organization does not have a governing board, and the primary government is determined to be financially accountable for the component unit. Additionally, the statement establishes if the 457 plans, as they relate to the component units, meet the pension plan definition as defined in Statement 67. Per Ordinance, our component units (Tumwater Transportation Benefit District and Tumwater Metropolitan Park District) have a defined governing board, which is the same as the governing body for the City. The City's Deferred Compensation 457 plans are administered through a third party and are fully funded. The City does not contribute to the 457 plans, and there are no assets or liabilities related to the plans. The employees can elect to have money withheld, pre-tax, just like deferred compensation through the State.

GASB Statement No. 98 – Statement 98 establishes the annual comprehensive financial report and ACFR in generally accepted accounting principles (GAAP) for state and local governments and eliminates the prior name and acronym. The City has implemented this change.



**City of Tumwater  
Required Supplementary Information**

**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, 2022  
For the *Biennium* Ended December 31, 2022**

	2021-2022 BUDGET		2021-2022 ACTUAL
	ORIGINAL	AMENDED	
<b>REVENUES</b>			
Taxes	\$43,932,400	\$45,752,400	\$52,965,937
Licenses & Permits	2,246,000	2,246,000	4,035,580
Intergovernmental	8,788,200	11,915,916	12,026,756
Charges for Services	3,649,100	3,739,600	5,955,143
Fines & Forfeitures	177,800	177,800	87,199
Miscellaneous	293,250	293,250	721,922
<b>TOTAL REVENUES</b>	<b>\$59,086,750</b>	<b>\$64,124,966</b>	<b>\$75,792,537</b>
<b>EXPENDITURES</b>			
<u>Current:</u>			
General Government	\$12,344,332	\$13,938,726	\$12,351,433
Public Safety - Police	15,941,506	16,854,986	16,047,306
Public Safety - Fire	15,973,174	16,595,174	17,612,031
Public Works	5,497,317	5,996,613	5,157,084
Economic Environment	4,215,898	5,398,796	4,314,645
Culture & History	-	55,045	-
Parks & Recreation	5,641,782	5,776,973	5,460,178
<u>Debt Service:</u>			
Interest & Fiscal Charges	-	-	11,794
Principal Retirement	-	-	42,687
<u>Capital Outlay:</u>			
General Government	-	32,000	8,555
Public Safety - Police	-	64,500	290,615
Public Safety - Fire	-	37,470	31,851
Parks & Recreations	7,500	57,500	5,543
<b>TOTAL EXPENDITURES</b>	<b>\$59,621,509</b>	<b>\$64,807,783</b>	<b>\$61,333,722</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(\$534,759)</b>	<b>(\$682,817)</b>	<b>\$14,458,815</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Assets	5,000	5,000	-
Lease Proceeds	-	-	235,875
Transfers In	60,000	241,968	129,968
Transfers Out	(2,240,260)	(3,801,803)	(3,720,406)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$(2,175,260)</b>	<b>\$(3,554,835)</b>	<b>\$(3,354,563)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$(2,710,019)</b>	<b>\$(4,237,652)</b>	<b>\$11,104,252</b>
PLUS: FUND BALANCES - BEGINNING	10,658,694	15,705,513	15,707,513
<b>FUND BALANCES - ENDING</b>	<b>\$7,948,675</b>	<b>\$11,467,861</b>	<b>\$26,811,765</b>

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

	2021-2022 BUDGET		2021-2022
	ORIGINAL	AMENDED	ACTUAL
<b><u>REVENUES</u></b>			
Charges for Services	\$3,840,000	\$3,840,000	\$6,423,736
Miscellaneous	100,000	100,000	342,217
<b>TOTAL REVENUES</b>	<b>\$3,940,000</b>	<b>\$3,940,000</b>	<b>\$6,765,953</b>
<b><u>EXPENDITURES</u></b>			
<b>Current:</b>			
General Government	-	-	-
Physical Environment	-	-	-
Transportation	-	-	-
Culture & Recreation	-	-	-
Capital Outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$3,940,000</b>	<b>\$3,940,000</b>	<b>\$6,765,953</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Interfund Loan Repayment	1,180,000	1,180,000	1,180,000
Transfers Out	(5,258,300)	(5,472,300)	(3,076,896)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$(4,078,300)</b>	<b>\$(4,292,300)</b>	<b>\$(1,896,896)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$(138,300)</b>	<b>\$(352,300)</b>	<b>\$4,869,057</b>
PLUS: FUND BALANCES - BEGINNING	9,143,631	11,988,568	10,808,568
<b>FUND BALANCES - ENDING*</b>	<b>\$9,005,331</b>	<b>\$11,636,268</b>	<b>\$15,677,625</b>

- 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
2022	0.070822%	\$1,971,944	\$11,098,843	17.77%	76.56%
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%
2014-2013	-	-	-	-	-

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
2022	0.092146%	(\$3,417,493)	\$11,098,843	-30.79%	106.73%
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%
2014-2013	-	-	-	-	-

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
2022	0.026220%	(\$752,150)	N/A	N/A	169.62%
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%
2014-2013	-	-	-	-	-

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
2022	0.244696%	(\$6,650,098)	\$9,461,795	-70.28%	116.09%
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%
2014-2013	-	-	-	-	-

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
2022	\$426,026	\$426,026	-	\$11,098,843	3.84%
2021	\$454,950	\$454,950	-	\$10,705,198	4.61%
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%
2014-2013	-	-	-	-	-

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
-----	\$720,725	\$720,725	-	\$11,098,843	6.49%
2021	\$758,593	\$758,593	-	\$10,705,198	7.69%
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%
2014-2013	-	-	-	-	-

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
2022	\$481,653	\$481,653	-	\$9,461,795	5.09%
2021	\$493,748	\$493,748	-	\$9,177,534	5.44%
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%
2014-2013	-	-	-	-	-

## 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.

	<b>Total OPEB Liability - Beginning</b>	Service Cost	Interest	Change in Benefit Terms	Benefit Payments	Other	<b>Total OPEB Liability - Ending</b>	As a % of Covered Payroll
2022	\$7,541,999	-	\$159,723	(\$1,360,592)	(\$296,387)	-	\$6,044,743	N/A
2021	\$7,445,466	-	\$161,537	\$208,726	(\$273,730)	-	\$7,541,999	N/A
2020	\$6,175,053	-	\$211,846	(\$1,305,319)	(\$246,752)	-	\$7,445,466	N/A
2019	\$7,074,359	-	\$268,537	(\$894,397)	(\$273,446)	-	\$6,175,053	N/A
2018	\$7,322,514	-	\$257,733	(\$257,156)	(\$248,732)	-	\$7,074,359	N/A
2017-2013	\$-	-	-	-	-	-	-	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.

	2022	2021	2020	2019	2018	2017	2016	2015-2013
Required Contributions	\$191,252	\$167,575	\$154,272	\$142,674	\$134,392	\$122,419	\$104,005	-

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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