



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Tumwater

For the period January 1, 2023 through December 31, 2023

Published September 30, 2024

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

September 30, 2024

Mayor and City Council
City of Tumwater
Tumwater, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Tumwater's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Tumwater January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Tumwater are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2023 through December 31, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated September 25, 2024.

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*. However, we noted certain matters that we have reported to the management of the City in a separate special investigation report dated January 29, 2024.

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

September 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Tumwater January 1, 2023 through December 31, 2023

Mayor and City Council
City of Tumwater
Tumwater, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Tumwater, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

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

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Tumwater January 1, 2023 through December 31, 2023

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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 25, 2024

City of Tumwater
January 1, 2023 through December 31, 2023

BASIC FINANCIAL STATEMENTS

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Statement of Activities – 2023
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Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Development Fees – 2023
Schedule of Proportionate Share of Net Pension (Asset)/Liability – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2023
Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2023
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Schedule of Changes in Total OPEB – LEOFF 1 – 2023
Schedule of Employer Contributions – International Brotherhood of Chauffers, Teamsters and Helpers Union No. 252 – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

CITY OF TUMWATER
Statement of Net Position
December 31, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash & Cash Equivalents	\$ 59,558,437	\$ 28,258,865	\$ 87,817,302
Investments	18,036,935	10,593,696	28,630,631
Receivables:			
Taxes Receivable	4,480,644	-	4,480,644
Accounts Receivable	330,284	1,691,249	2,021,533
Leases Receivable	80,642	45,366	126,008
Interest Receivable	113,235	19,185	132,420
Interfund Loan Receivable	-	1,293,696	1,293,696
Due from Other Governments	1,656,992	32,514	1,689,506
Inventories	9,575	332,523	342,098
Prepays	275,312	-	275,312
Total Current Assets	84,542,056	42,267,094	126,809,150
NONCURRENT ASSETS:			
Restricted Cash & Investments	\$ 19,875	\$ -	\$ 19,875
Equity Interest in Joint Venture	367,381	-	367,381
Net Pension Asset	9,324,005	732,865	10,056,870
Capital Assets:			
Historical Artifacts, Land, and Construction in Progress	114,425,710	13,925,682	128,351,392
Other Capital Assets, Net of Depreciation	79,200,341	64,454,639	143,654,980
Leases Receivable	117,439	369,177	486,616
Total Noncurrent Assets	203,454,751	79,482,363	282,937,114
Total Assets	\$ 287,996,807	\$ 121,749,457	\$ 409,746,264
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Outflow	\$ 6,683,428	\$ 592,820	\$ 7,276,248
OPEB Liability	73,476	-	73,476
Total Deferred Outflows of Resources	\$ 6,756,904	\$ 592,820	\$ 7,349,724
Total Assets and Deferred Outflows of Resources	\$ 294,753,711	\$ 122,342,277	\$ 417,095,988
LIABILITIES			
CURRENT LIABILITIES:			
Payroll Payable	\$ 1,305,392	\$ 263,910	\$ 1,569,302
Vouchers Payable	1,672,793	1,252,232	2,925,025
Other Contracts Payable	147,102	-	147,102
Due to Other Funds	1,293,696	-	1,293,696
Due to Other Governments	435	24	459
Accrued Interest Payable	2,687	1,337	4,024
Deposits Payable	34,470	206,328	240,798
Compensated Absences (Current Portion)	1,311,808	250,895	1,562,703
OPEB Liability (Current Portion)	134,000	-	134,000
Due Within One Year	700,056	253,767	953,823
Total Current Liabilities	6,602,439	2,228,493	8,830,932
NONCURRENT LIABILITIES:			
Compensated Absences	\$ 606,881	\$ 116,072	\$ 722,953
Total OPEB Liability	5,415,841	-	5,415,841
Net Pension Liability	1,279,345	316,444	1,595,789
Due in More Than One Year, Net of Premiums/Discounts	2,625,489	1,764,346	4,389,835
Total Noncurrent Liabilities	9,927,556	2,196,862	12,124,418
Total Liabilities	\$ 16,529,995	\$ 4,425,355	\$ 20,955,350
DEFERRED INFLOWS OF RESOURCES			
Lease Related Inflow	\$ 192,581	\$ 410,086	\$ 602,667
Pension Related Inflow	3,424,138	438,416	3,862,554
Grant Related Inflow	78,746	-	78,746

Total Deferred Inflows of Resources	<u>\$ 3,695,465</u>	<u>\$ 848,502</u>	<u>\$ 4,543,967</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 20,225,460</u>	<u>\$ 5,273,857</u>	<u>\$ 25,499,317</u>

NET POSITION

Net investment in capital assets	\$ 193,626,051	\$ 78,380,321	\$ 272,006,372
Restricted for:			
Capital Project Development	15,572,259	-	15,572,259
Debt Service	38,415	-	38,415
Public Safety	1,396,196	-	1,396,196
Net Pension Asset	9,324,005	732,865	10,056,870
Metropolitan Parks District	4,302,620	-	4,302,620
Transportation Benefit District	4,072,346	-	4,072,346
Other Purposes	1,027,378	-	1,027,378
Unrestricted	45,168,981	37,955,234	83,124,215
Total Net Position	<u>\$ 274,528,251</u>	<u>\$ 117,068,420</u>	<u>\$ 391,596,671</u>

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

CITY OF TUMWATER
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
<u>Governmental activities:</u>							
General Government	\$ 8,134,475	\$ 1,569,946	\$ 560,178	\$ -	\$ (6,004,351)	\$ -	\$ (6,004,351)
Public Safety - Police	8,200,024	137,858	132,439	-	(7,929,727)	-	(7,929,727)
Public Safety - Fire	8,731,839	2,977,758	409,414	-	(5,344,667)	-	(5,344,667)
Transportation	10,856,771	1,180	253,945	7,938,124	(2,663,522)	-	(2,663,522)
Economic Environment	2,513,491	2,596,200	118,854	23,360	224,923	-	224,923
Culture & Recreation	4,047,907	335,047	113,081	864,158	(2,735,621)	-	(2,735,621)
Social Services	786,309	-	654,286	65,007	(67,016)	-	(67,016)
Interest on Long-Term Debt	108,842	-	-	-	(108,842)	-	(108,842)
Total Governmental Activities	\$ 43,379,658	\$ 7,617,989	\$ 2,242,197	\$ 8,890,649	\$ (24,628,823)	\$ -	\$ (24,628,823)
<u>Business-type activities:</u>							
Combined Utilities Fund	22,413,432	22,902,502	438,664	4,088,735	-	5,016,469	5,016,469
Golf Course Fund	2,234,207	1,564,597	107,552	-	-	(562,058)	(562,058)
Total Business-type Activities	24,647,639	24,467,099	546,216	4,088,735	-	4,454,411	4,454,411
Total Primary Government	\$ 68,027,297	\$ 32,085,088	\$ 2,788,413	\$ 12,979,384	\$ (24,628,823)	\$ 4,454,411	\$ (20,174,412)
General revenues:							
Property Taxes, Levied for Metropolitan Parks District					1,949,613	-	1,949,613
Property Taxes, Levied for General Purposes					10,974,050	-	10,974,050
Business and Franchise Licenses and Taxes					23,628,684	-	23,628,684
Unrestricted Investment Earnings					3,591,922	1,853,991	5,445,913
Miscellaneous					558,463	(801,297)	(242,834)
Transfers					(269,045)	269,045	-
Total general revenues, special items, and transfers					\$ 40,433,687	\$ 1,321,739	\$ 41,755,426
Change in net position					15,804,864	5,776,150	21,581,014
Net Position - Beginning					258,780,007	111,292,270	370,072,277
Prior Period Adjustment - See Note 17					(56,620)	-	(56,620)
Net Position - Restated Beginning					258,723,387	111,292,270	370,015,657
Net Position - Ending					\$ 274,528,251	\$ 117,068,420	\$ 391,596,671

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, 2023**

	GENERAL FUND	DEVELOPMENT FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash & Cash Equivalents	\$ 23,129,485	\$ 9,165,607	\$ 38,415	\$ 15,495,848	\$ 7,367,038	\$ 55,196,393
Investments	7,090,592	6,398,959	-	1,985,657	1,914,179	17,389,387
Restricted Cash & Investments	14,190	-	-	5,685	-	19,875
Taxes Receivable	3,491,897	-	-	514,229	474,518	4,480,644
Accounts Receivable	307,311	-	-	29,940	(6,967)	330,284
Leases Receivable	-	-	-	198,081	-	198,081
Interest	79,610	17,421	-	12,025	555	109,611
Due from Other Governments	109,208	-	-	1,547,785	-	1,656,993
Prepays	36,729	-	-	-	-	36,729
Total Assets	\$ 34,259,022	\$ 15,581,987	\$ 38,415	\$ 19,789,250	\$ 9,749,323	\$ 79,417,997
LIABILITIES						
Vouchers Payable	\$ 778,894	\$ -	\$ -	\$ 727,000	\$ 100,870	\$ 1,606,764
Payroll Payable	1,233,505	-	-	24,922	-	1,258,427
Deposits Payable	32,000	-	-	2,470	-	34,470
Other Contracts Payable	-	-	-	147,102	-	147,102
Due to Other Governments	423	-	-	-	12	435
Due to Other Funds	-	-	-	1,293,696	-	1,293,696
Total Liabilities	\$ 2,044,822	\$ -	\$ -	\$ 2,195,190	\$ 100,882	\$ 4,340,894
DEFERRED INFLOWS OF RESOURCES						
Taxes	\$ 1,492,739	\$ -	\$ -	\$ 113,041	\$ 260,287	\$ 1,866,067
Fines & Forfeitures	35,149	-	-	-	-	35,149
Investment Interest	39,805	15,413	-	-	-	55,218
Grants	104,295	-	-	995,573	-	1,099,868
Leases	-	-	-	192,581	-	192,581
Total Deferred Inflows of Resources	\$ 1,671,988	\$ 15,413	\$ -	\$ 1,301,195	\$ 260,287	\$ 3,248,883
Total Liabilities and Deferred Inflows of Resources	\$ 3,716,810	\$ 15,413	\$ -	\$ 3,496,385	\$ 361,169	\$ 7,589,777
FUND BALANCES (DEFICITS)						
Restricted	\$ 1,410,386	\$ 15,566,574	\$ 38,415	\$ 5,685	\$ 9,388,154	\$ 26,409,214
Committed	1,790,028	-	-	16,287,180	-	18,077,208
Assigned	3,829,807	-	-	-	-	3,829,807
Unassigned	23,511,991	-	-	-	-	23,511,991
Total Fund Balances (Deficits)	\$ 30,542,212	\$ 15,566,574	\$ 38,415	\$ 16,292,865	\$ 9,388,154	\$ 71,828,220
Total Liabilities and Fund Balances (Deficits)	\$ 34,259,022	\$ 15,581,987	\$ 38,415	\$ 19,789,250	\$ 9,749,323	\$ 79,417,997

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)	\$ 71,828,220
Deferred Taxes and other revenue recognized as earned revenue.	\$ 2,394,500
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 185,852,260
Other assets not available to pay for current-period expenditures.	\$ 367,381
An internal service fund is used to charge for the use of heavy equipment, vehicles, and electronic equipment to the individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	\$ 11,243,866
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.	\$ (953,043)
Pension related assets, liabilities, deferred inflows, and deferred outflows do not require financial resources and are only reported on the government-wide financial statements.	\$ 11,211,621

Compensated absences are classified as long-term liabilities, do not require financial resources and are only reported on the government-wide statements.

\$ (1,866,712)

Other post-employment employee benefits are classified as long-term liabilities, do not require financial resources and are only reported on the government-wide statements.

\$ (5,549,842)

\$ 274,528,251

CITY OF TUMWATER
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Development Fees Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes Revenue	\$ 28,316,336	\$ -	\$ -	\$ 2,927,782	\$ 4,826,413	\$ 36,070,531
Licenses & Permits	2,425,474	-	-	-	-	2,425,474
Intergovernmental	5,781,554	-	-	9,046,948	12,049	14,840,551
Charges for Services	2,480,583	2,444,106	-	877,081	9,796	5,811,566
Fines & Forfeitures	29,540	-	-	-	436	29,976
Miscellaneous	1,827,829	456,829	50,245	679,390	458,297	3,472,590
Total Revenues	\$ 40,861,316	\$ 2,900,935	\$ 50,245	\$ 13,531,201	\$ 5,306,991	\$ 62,650,688
EXPENDITURES						
Current:						
General Government	\$ 7,441,981	\$ -	\$ -	\$ 53,452	\$ -	\$ 7,495,433
Public Safety - Police	8,991,224	-	-	-	-	8,991,224
Public Safety - Fire	9,718,966	-	-	-	-	9,718,966
Transportation	3,211,756	-	-	4,566,768	4,657,386	12,435,910
Economic Environment	2,529,310	-	-	-	202,653	2,731,963
Culture & Recreation	3,650,870	-	-	-	1,670,630	5,321,500
Social Services	786,309	-	-	-	-	786,309
Debt Service:						
Interest & Fiscal Charges	9,659	-	36,277	86,872	-	132,808
Principal Retirement	44,822	-	161,490	-	-	206,312
Capital Outlay:						
General Government	-	-	-	811,989	-	811,989
Transportation	-	-	-	9,622,491	-	9,622,491
Culture & Recreation	-	-	-	1,280,685	-	1,280,685
Total Expenditures	\$ 36,384,897	\$ -	\$ 197,767	\$ 16,422,257	\$ 6,530,669	\$ 59,535,590
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,476,419	\$ 2,900,935	\$ (147,522)	\$ (2,891,056)	\$ (1,223,678)	\$ 3,115,098
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Assets	2,957	-	-	-	-	2,957
Transfers In	138,145	-	95,800	3,357,001	-	3,590,946
Transfers Out	(830,458)	(3,011,986)	-	(570,210)	-	(4,412,654)
Total Other Financing Sources (Uses)	\$ (689,356)	\$ (3,011,986)	\$ 95,800	\$ 2,786,791	\$ -	\$ (818,751)
Net Change in Fund Balances	\$ 3,787,063	\$ (111,051)	\$ (51,722)	\$ (104,265)	\$ (1,223,678)	\$ 2,296,347
Fund Balances - Beginning	\$ 26,811,769	\$ 15,677,625	\$ 90,137	\$ 16,397,130	\$ 10,611,832	\$ 69,588,493
Prior Period Adjustment - See Note 17	\$ (56,620)	\$ -	\$ -	\$ -	\$ -	\$ (56,620)
Fund Balances - Restated Beginning	\$ 26,755,149	\$ 15,677,625	\$ 90,137	\$ 16,397,130	\$ 10,611,832	\$ 69,531,873
Fund Balances - Ending	\$ 30,542,212	\$ 15,566,574	\$ 38,415	\$ 16,292,865	\$ 9,388,154	\$ 71,828,220

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (THIS STATEMENT)	\$ 2,296,347
Revenue earned as an economic resource, but not a financial resource.	\$ 1,541,368
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period. In addition, it includes the net effect of miscellaneous transactions involving capital assets as a change in net position 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.	\$ 7,319,823
Debt service principal payments are an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position. Also included are amortization of deferred losses and premiums, as well as the accrual of interest on bonds reported in the Statement of Activity that do not require the use of current resources and therefore are not reported as expenditures in the governmental funds.	\$ 230,278
Increases in Other Post-Employment Benefits do not require financial resources and the increase in benefit expense is only reported on the government-wide statements.	\$ 509,698
Increases in Compensated Absence balances do not require financial resources and the increase in benefit expenses is only reported on the government-wide statements.	\$ (14,200)
Pension-related assets, liabilities and deferrals are updated at the end of each year resulting in increases or decreases in pension expense. A decrease in pension expense does not release financial resources and is only reported on the government-wide statements.	\$ 2,882,807

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.

\$ 1,038,743

CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES

\$ 15,804,864

CITY OF TUMWATER
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-type Activities			Governmental Activities
	Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current Assets:				
Cash & Cash Equivalents	\$ 28,057,056	\$ 201,807	\$ 28,258,863	\$ 4,361,628
Investments	10,593,697	-	10,593,697	1,230,605
Accounts Receivable	1,690,144	1,105	1,691,249	-
Leases Receivable	45,366	-	45,366	-
Interest	19,185	-	19,185	3,624
Interfund Loan Receivable	1,628,696	-	1,628,696	-
Due from Other Governments	32,514	-	32,514	-
Inventories	120,863	211,659	332,522	9,575
Prepays	-	-	-	238,583
Total Current Assets	42,187,521	414,571	42,602,092	5,844,015
Noncurrent Assets:				
Historical Artifacts, Land, and Construction in Progress	13,821,457	104,225	13,925,682	1,102,248
Other Capital Assets, Net of Depreciation	61,780,235	2,674,404	64,454,639	6,671,541
Leases Receivable	369,177	-	369,177	-
Net Pension Asset	518,882	213,983	732,865	212,874
Total Noncurrent Assets	76,489,751	2,992,612	79,482,363	7,986,663
Total Assets	\$ 118,677,272	\$ 3,407,183	\$ 122,084,455	\$ 13,830,678
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	419,727	173,093	592,820	172,196
Total Deferred Outflows of Resources	\$ 419,727	\$ 173,093	\$ 592,820	\$ 172,196
Total Assets and Deferred Outflows of Resources	\$ 119,096,999	\$ 3,580,276	\$ 122,677,275	\$ 14,002,874
LIABILITIES				
Current Liabilities:				
Vouchers Payable	\$ 1,198,108	\$ 54,124	\$ 1,252,232	\$ 66,026
Payroll Payable	213,150	50,760	263,910	46,548
Deposits Payable	13,871	192,457	206,328	-
Interfund Loans Payable	-	335,000	335,000	-
Due to Other Governments	-	24	24	-
Accrued Interest Payable	-	1,337	1,337	-
Compensated Absences Payable (Current Portion)	213,284	37,611	250,895	35,538
Current Portion of Long Term Liabilities	57,399	196,368	253,767	487,428
Total Current Liabilities	1,695,812	867,681	2,563,493	635,540
Noncurrent Liabilities:				
Net Pension Liability	224,048	92,396	316,444	91,918
Compensated Absences Payable	98,672	17,400	116,072	16,441
Long Term Liabilities (Net of Amortized Discount)	1,169,685	594,661	1,764,346	1,887,762
Total Noncurrent Liabilities	1,492,405	704,457	2,196,862	1,996,121
Total Liabilities	\$ 3,188,217	\$ 1,572,138	\$ 4,760,355	\$ 2,631,661
DEFERRED INFLOWS OF RESOURCES				
Leases	410,086	-	410,086	-
Pensions	310,406	128,010	438,416	127,347
Total Deferred Inflows of Resources	\$ 720,492	\$ 128,010	\$ 848,502	\$ 127,347
Total Liabilities and Deferred Inflows of Resources	\$ 3,908,709	\$ 1,700,148	\$ 5,608,857	\$ 2,759,008
NET POSITION				
Net investment in capital assets	\$ 75,601,692	\$ 2,778,630	\$ 78,380,322	\$ 7,773,789
Restricted for:				
Net Pension Asset	518,882	213,983	732,865	212,874
Unrestricted	39,067,716	(1,112,485)	37,955,231	3,257,203
Total Net Position	\$ 115,188,290	\$ 1,880,128	\$ 117,068,418	\$ 11,243,866

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

CITY OF TUMWATER
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities			Governmental Activities
	Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for Services	\$ 22,902,502	\$ 1,564,597	\$ 24,467,099	\$ 3,251,625
Other Operating Revenue	556,238	107,552	663,790	88,356
Total Operating Revenues	\$ 23,458,740	\$ 1,672,149	\$ 25,130,889	\$ 3,339,981
OPERATING EXPENSES				
Operations & Maintenance	14,036,114	1,895,340	15,931,454	1,339,774
Administration Overhead	4,343,762	135,060	4,478,822	737,688
Taxes Expense	1,646,972	7,018	1,653,990	-
Depreciation & Amortization	2,370,914	164,489	2,535,403	1,050,510
Total Operating Expenses	\$ 22,397,762	\$ 2,201,907	\$ 24,599,669	\$ 3,127,972
Operating Income (Loss)	\$ 1,060,978	\$ (529,758)	\$ 531,220	\$ 212,009
NONOPERATING REVENUES (EXPENSES)				
Interest Income	1,837,389	16,603	1,853,992	271,044
Interest Expense	(15,669)	(32,300)	(47,969)	(56,879)
Other Income (Expense)	(444,316)	(67,644)	(511,960)	28,303
Total Nonoperating Revenues (Expenses)	\$ 1,377,404	\$ (83,341)	\$ 1,294,063	\$ 242,468
Income (Loss) Before Contributions and Transf	\$ 2,438,382	\$ (613,099)	\$ 1,825,283	\$ 454,477
Capital Contributions	3,681,820	-	3,681,820	31,602
Transfers In	25,000	896,538	921,538	552,664
Transfers Out	(631,193)	(21,300)	(652,493)	-
Change in Net Position	\$ 5,514,009	\$ 262,139	\$ 5,776,148	\$ 1,038,743
Total Net Position - Beginning	109,674,281	1,617,989	111,292,270	10,205,123
Total Net Position - Ending	\$ 115,188,290	\$ 1,880,128	\$ 117,068,418	\$ 11,243,866

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

CITY OF TUMWATER
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities
	Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 20,095,057	\$ 1,668,521	\$ 21,763,578	\$ -
Cash from Quasi-External Operating Activities	-	-	-	3,337,250
Cash from Other Operating Activities	369,537	48,861	418,398	2,731
Payments to Suppliers of Goods and/or Services	(12,215,375)	(895,385)	(13,110,760)	(1,097,183)
Payments to Employees	(4,696,326)	(1,075,374)	(5,771,700)	(988,535)
Payments to Quasi-External Operating Activities	(1,709,503)	(60,879)	(1,770,382)	(287,073)
Payments for Other Operating Activities	(1,646,642)	(7,018)	(1,653,660)	-
Net Cash Provided (Used) by Operating Activities	\$ 196,748	\$ (321,274)	\$ (124,526)	\$ 967,190
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Loan Proceeds	495,996	-	495,996	-
Repayment of Interfund Loan	-	(167,500)	(167,500)	-
Interest Received on Interfund Loan	113,782	-	113,782	-
Interest Paid on Interfund Loan	-	(26,910)	(26,910)	-
Transfer from Other Funds	25,000	896,538	921,538	552,664
Transfers to other funds	(111,985)	-	(111,985)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 522,793	\$ 702,128	\$ 1,224,921	\$ 552,664
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for Capital Acquisitions	\$ (6,993,082)	\$ (616,851)	\$ (7,609,933)	\$ (4,155,370)
Proceeds from Sale of Assets	(856,198)	(67,644)	(923,842)	28,303
Payments Received on Leases	302,934	(37,292)	265,642	-
Interest Received on Leases	5,022	252	5,274	-
Interest Paid on Bond	-	(9,871)	(9,871)	-
Principal Payment on Leases	514,631	529,517	1,044,148	2,331,784
Transfers to Other Funds	(519,208)	(21,300)	(540,508)	-
Contributions in Aid of Construction	5,371,156	-	5,371,156	-
Interest Paid on Leases	(15,669)	(5,068)	(20,737)	(56,879)
Grants	406,915	-	406,915	-
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (1,783,499)	\$ (228,257)	\$ (2,011,756)	\$ (1,852,162)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (Increase) Decrease in Investments	\$ (396,575)	\$ -	\$ (396,575)	\$ (55,752)
Receipts of Investment Interest	1,713,289	16,351	1,729,640	269,036
Net Cash Provided (Used) by Investing Activities	\$ 1,316,714	\$ 16,351	\$ 1,333,065	\$ 213,284
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 252,756	\$ 168,948	\$ 421,704	\$ (119,024)
Cash and Cash Equivalents - January 1st	27,804,300	32,859	27,837,159	4,480,652
Cash and Cash Equivalents - December 31st	\$ 28,057,056	\$ 201,807	\$ 28,258,863	\$ 4,361,628
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income	\$ (1,635,777)	\$ (529,758)	\$ (2,165,535)	\$ 212,007
Noncash Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	2,370,914	164,489	2,535,403	1,050,510
Changes in Assets and Liabilities:				
Customer Receivables	(107,160)	-	(107,160)	-
Other Operating Receivables	(191,139)	36,586	(154,553)	(23,739)
Inventory	88,943	87,678	176,621	9,547
Accounts Payable - Supplier	(100,643)	(4,899)	(105,542)	(120,033)
Accounts Payable - Other	908	8,647	9,555	-
Salaries & Benefits Payable	(246,188)	(88,558)	(334,746)	(172,606)
Compensated absences	16,890	4,541	21,431	11,504
Net Cash Provided (Used) by Operating Activities	\$ 196,748	\$ (321,274)	\$ (124,526)	\$ 967,190
Noncash investing, capital and financing activities				
Capital Contributions	\$ 1,012,390	\$ -	\$ 1,012,390	\$ 31,602
Total Noncash Investing, Capital and Financing Activities	\$ 1,012,390	\$ -	\$ 1,012,390	\$ 31,602

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, 2023

		Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$	314,296
Total Assets	\$	314,296
LIABILITIES		
Vouchers Payable	\$	22,637
Total Liabilities	\$	22,637
NET POSITION		
Restricted for:		
LERMS	\$	234,927
Evidence Funds		36,336
Due to Others		20,396
Total Net Position	\$	291,659

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
For the Year Ended December 31, 2023

		Custodial Funds
ADDITIONS:		
LERMS Services	\$	418,853
LERMS Investment Interest		12,846
Evidence Funds Deposited		305
Total Additions	\$	432,004
 DEDUCTIONS		
Professional Services	\$	249,035
Software Services		182,409
Evidence Funds Disbursed		11,132
Miscellaneous		6,269
Total Deductions	\$	448,845
Net Increase (Decrease) in Fiduciary Net Position		(16,841)
Net Position - Beginning		308,500
Net Position - Ending	\$	291,659

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, 2023

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 the 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.

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 limited to 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, 2023 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, 2023.

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 \$10,000 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 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 an 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		
FUND BALANCES						
Restricted for:						
Public Safety Levy	\$1,396,196					\$1,396,196
Restricted Donation	14,190			\$5,685		19,875
Transportation Benefit District					\$4,072,346	4,072,346
Metropolitan Park District					4,302,620	4,302,620
G.O. Bond Debt Service			\$38,415			38,415
Impact & Mitigation Fees		\$15,566,574				15,566,574
Lake Management District					48,216	48,216
Lodging Tax Funds					821,417	821,417
Affordable Housing Sales Tax Fund					81,730	81,730
Drug Enforcement					58,615	58,615
Domestic Violence Advocacy					3,210	3,210
Committed to:						
Emergency Preparedness	1,790,028					1,790,028
Capital Facilities Plan				16,287,180		16,287,180
Assigned to:						
Facilities Maintenance	1,979,648					1,979,648
Community Development	733,709					733,709
E-Link & Fiberoptics	829,798					829,798
Tumwater Youth Program	112,395					112,395
Parks Board	139,830					139,830
Historical Commission	31,556					31,556
K-9 Program	2,871					2,871
Unassigned:	23,511,991					23,511,991
TOTAL FUND BALANCE	\$30,542,212	\$15,566,574	\$38,415	\$16,292,865	\$9,388,154	\$71,828,220

Totals of All Funds By Classification:	
Restricted	\$ 26,409,214
Committed	\$ 18,077,208
Assigned	\$ 3,829,807
Unassigned	\$ 23,511,991
TOTAL OF ALL FUNDS	\$ 71,828,220

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	1,866,067	
Fines and Forfeitures	35,149	
Grants	1,021,122	
Investment Market Value Adjustment	(583,056)	
Deferred Investment Income	<u>55,218</u>	
		2,394,500
Pension-Related		
Net Pension Asset – (LEOFF & PERS)	9,111,131	
Deferred Outflows	6,584,708	
Net Pension Liabilities (PERS)	(1,187,427)	
Deferred Inflows	<u>(3,296,791)</u>	
		11,211,621
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Accumulated Depreciation		185,852,260
Other Assets		
Equity Interest in Joint Venture		367,381
Internal Service Fund Net Position		11,243,866
Long-term Debt Related		
Accrued Interest	(2,687)	
Leases	(148,366)	
Due Within One Year	(165,565)	
Due Within More than One Year	<u>(636,425)</u>	
		(953,043)
Compensated Absence Liability		(1,866,712)
Other Post-employment Employee Benefits		<u>(5,549,842)</u>
Total Conversion Adjustments		<u><u>202,700,031</u></u>

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	(15,452)	
Fines and Forfeitures	(9,189)	
Grants	1,044,991	
Investment Value Adjustment	<u>521,017</u>	1,541,367
Change in Pension Expense		2,882,807
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Depreciation Related		
Change in Equity Interest in Joint Venture	37,990	
Change in Capital Outlay	10,679,468	
Change in Depreciation	(4,439,847)	
Contributed Assets	<u>1,042,212</u>	7,319,823
Internal Service Fund Change in Net Position		1,038,743
Long-term Debt Related		
Amortization of Premiums and Accrual of Interest	23,966	
Principal Debt Service Payments	<u>206,312</u>	230,278
Change in Other Post-employment Employee Benefits		509,698
Change in Compensated Absences		<u>(14,200)</u>
Total Conversion Adjustment		<u>13,508,516</u>

The net effect of \$2,882,807 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 25th day of December prior to the next fiscal year.
- On or before December 31, the City Council adopts the final budget ordinance. The City Clerk publishes a notice indicating budget adoption has been completed.
- The final budget document is published, distributed, and made available to the public during the first three months of the following year.
- A Mid-biennial Review and Modification must occur no sooner than eight months after the start nor later than the conclusion of the first year of the biennium.

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

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

- No funds exceeded the appropriations adopted in the budget.
- The Golf Course Enterprise Fund reports a deficit fund balance every year. This deficit should decline yearly as debt service payments are made. The General Government Capital Construction Fund transfers funds annually to the Golf Course Fund for payment of debt service on the General Obligation bonds. The current principal outstanding of these bonds is \$1,170,000 and the final debt service payment was scheduled to be made in 2025. However, in early 2022 the G.O. bonds became callable and were paid off early without penalties or fees, saving the Golf fund 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 \$10,936,374, bank-held bond investments of \$28,630,631, and an LGIP deposit of \$79,395,933. It also held cash-on-hand of \$5,975, as well as deposits of \$314,296 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. 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	12/31/2023	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	\$498,582		\$498,582	
Fed National Mort Assoc	2,990,830		2,990,830	
Fed Home Loan Mort Corp	1,471,305		1,471,305	
UST Strips	977,500		977,500	
UST Strips	974,609		974,609	
UST Strips	1,948,516		1,948,516	
UST Strips	966,406		966,406	
UST Strips	2,410,840		2,410,840	
UST Strips	963,984		963,984	
Fed Home Loan Bank	1,912,887		1,912,887	
UST Strips	1,891,250		1,891,250	
Fed Home Loan Bank	1,877,825		1,877,825	
Fed Home Loan Bank	1,879,236		1,879,236	
Fed National Mort Assoc	2,024,969		2,024,969	
Fed National Mort Assoc	1,020,139		1,020,139	
UST Strips	1,008,328		1,008,328	
Fed Home Loan Bank	1,828,042		1,828,042	
UST Strips	988,680		988,680	
UST Strips	996,702		996,702	
Total	\$28,630,631	\$ -	\$28,630,631	\$ -

<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	\$498,582	2.00	\$498,582			
Fed National Mort Assoc	2,990,830	2.00	2,990,830			
Fed Home Loan Mort Corp	1,471,305	5.00	1,471,305			
UST Strips	977,500	6.00	977,500			
UST Strips	974,609	7.00	974,609			
UST Strips	1,948,516	9.00	1,948,516			
UST Strips	966,406	10.00	966,406			
UST Strips	2,410,840	11.00	2,410,840			
UST Strips	963,984	12.00	963,984			
Fed Home Loan Bank	1,912,887	13.00		\$1,912,887		
UST Strips	1,891,250	16.00		1,891,250		
Fed Home Loan Bank	1,877,825	20.00		1,877,825		
Fed Home Loan Bank	1,879,236	20.00		1,879,236		
Fed National Mort Assoc	2,024,969	23.00		2,024,969		
Fed National Mort Assoc	1,020,139	26.00			\$1,020,139	
UST Strips	1,008,328	28.00			1,008,328	
Fed Home Loan Bank	1,828,042	32.00			1,828,042	
UST Strips	988,680	40.00			988,680	
UST Strips	996,702	40.00			996,702	
Total	\$28,630,631	16.10	\$13,202,573	\$9,586,166	\$5,841,892	\$ -

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, 2023	
<u>Statement of net position</u>	
Cash and cash equivalents	\$ 87,816,205
Restricted cash & investments	19,875
Investments	28,630,631
<u>Statement of fiduciary net position</u>	
Cash and cash equivalents	314,296
Total Deposits & Investments	\$ 116,781,007

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 \$1.77 for 2023. Total taxes levied were \$11,069,817 based on that rate on a certified assessed valuation of \$6,240,953,641.

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 2023 were \$1,976,328 at a rate

of \$0.32 per \$1,000 of assessed valuation of \$6,240,953,641. 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	\$160,916	-	\$25,373	\$186,289
Sales Taxes	1,679,857	-	394,545	2,074,402
Business & Occupational Taxes	762,494	-	-	762,494
Utility Taxes	546,991	338,824	-	885,815
All Other Taxes	<u>344,391</u>	<u>175,404</u>	<u>54,601</u>	<u>574,396</u>
Total	<u>\$3,491,897</u>	<u>\$514,228</u>	<u>\$474,519</u>	<u>\$4,480,644</u>

4.4 – Capital Assets

Governmental capital asset activity for the ended December 31, 2023, 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	6,051,203	266,420	(60,536)	6,257,087
Right of Way	82,862,274	-	(277,827)	82,584,447
Work in Progress	13,723,969	14,454,065	(3,444,980)	24,733,053
Total Capital Assets not being Depreciated	<u>\$103,488,569</u>	<u>\$14,720,482</u>	<u>\$(3,783,343)</u>	<u>\$114,425,710</u>
<u>Other Capital Assets:</u>				
Buildings	\$13,026,364	\$ -	\$(7,270)	\$13,019,094
Improvements	15,844,702	909,704	(295,613)	16,458,793
Machinery and Equipment	14,013,938	864,874	(1,261,103)	13,617,709
Capitalized Integrated Software	529,379	-	(9,774)	519,605
Leases	288,872	2,689,831	-	2,978,703
Roadways	132,562,284	1,784,285	(3,347,894)	130,998,675
Total Other Capital Assets at Historical Cost	<u>\$176,265,539</u>	<u>\$6,248,694</u>	<u>\$(4,921,654)</u>	<u>\$177,592,579</u>
<u>Less Accumulated Depreciation:</u>				
Buildings	\$(9,544,794)	\$(312,601)	\$ 1,454	\$(9,855,941)
Improvements	(4,955,050)	(676,949)	188,318	(5,443,681)
Machinery and Equipment	(8,284,296)	(798,218)	992,000	(8,090,514)
Capitalized Integrated Software	(514,729)	-	6,983	(507,746)
Leases	(65,081)	(435,305)	7,306	(493,080)
Roadways	(73,262,957)	(3,277,067)	2,538,744	(74,001,280)
Accumulated Depreciation Total	<u>\$(96,626,907)</u>	<u>\$(5,500,140)</u>	<u>\$3,734,805</u>	<u>\$(98,392,242)</u>
Other Capital Assets, Net of Depreciation	<u>\$79,638,633</u>	<u>\$748,554</u>	<u>\$(1,186,849)</u>	<u>\$79,200,337</u>
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	<u>\$183,127,202</u>	<u>\$15,469,039</u>	<u>\$(4,970,192)</u>	<u>\$193,626,047</u>

Depreciation was charged to functions as follows:

Governmental Activities

General Government	\$155,629
Public Safety - Police	\$298,491
Public Safety - Fire	\$213,073
Transportation	\$3,277,067
Culture & Recreation	\$497,063

In addition, depreciation on capital assets held by an internal service fund is charged to various functions based on their usage of the assets owned by the fund.

TOTAL GOVERNMENTAL ACTIVITIES

DEPRECIATION EXPENSE **\$5,500,140**

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, 2023, 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	\$-	\$ (15,923)	\$4,239,612
Water Rights	780,981	-	-	780,981
Construction in Process	1,676,301	8,288,119	(1,059,333)	8,905,087
Total Capital Assets not being Depreciated	\$6,712,817	\$8,288,119	\$(1,075,256)	\$13,925,681
<u>Other Capital Assets:</u>				
Buildings	\$3,078,027	\$ -	\$(159,533)	\$2,918,494
System Improvements	100,619,891	1,140,943	(1,295,307)	100,465,527
Machinery and Equipment	3,594,961	-	(866,514)	2,728,447
Leases	698,355	1,176,431	-	1,874,786
Total Other Capital Assets at Historical Cost	\$107,991,234	\$2,317,374	\$(2,321,354)	\$107,987,254
Total Assets	\$114,704,051	\$10,605,493	\$(3,396,610)	\$121,912,935
<u>Less Accumulated Depreciation/Amortization:</u>				
Buildings	\$(1,493,656)	\$(93,902)	\$ 131,566	\$(1,455,992)
System Improvements	(38,871,969)	(2,276,591)	580,193	(40,568,369)
Machinery and Equipment	(2,032,771)	(121,792)	699,054	(1,455,509)
Leases Amortization	(12,252)	(42,289)	1,795	(52,746)
Total Accumulated Depreciation	\$(42,410,648)	\$(2,534,574)	\$ 1,412,608	\$(43,532,616)
Other Capital Assets, Net of Depreciation	\$65,580,586	\$(217,200)	\$ (908,746)	\$64,454,638
NET BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS	\$72,293,403	\$8,070,919	\$(1,984,002)	\$78,380,320

Depreciation was charged to functions as follows:

Business-Type Activities

Combined Utility	\$2,370,914
Golf Course	163,660

TOTAL BUSINESS-TYPE ACTIVITIES

DEPRECIATION EXPENSE **\$2,534,574**

4.5 – Construction Commitments

The City had active construction projects in progress as of December 31, 2023. 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.

The major construction commitments as of the end of the current reporting period were:

<u>PROJECT NAME</u>	<u>SPENT TO DATE</u>	<u>ESTIMATED REMAINING COMMITMENT</u>
15/Trosper/Capitol Reconfiguration Project	\$ 12,212,223	\$ 1,638,948
Total	<u>\$ 12,212,223</u>	<u>\$ 1,638,948</u>

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 \$335,000. 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 combined utility funds to the General Government Capital Facilities Fund has been authorized by the 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 \$328,496. The principal balance at the end of the year is \$1,293,696. This interfund loan is represented as an interfund loan receivable and Due to Other Governments on all applicable statements.

Transfers

The General Fund transferred \$199,165 to the Capital Project Fund for capital project support, all of which was for the new citywide Enterprise Resource Planning (ERP) software system implementation. The Development Fee Fund transferred money totaling \$3,011,986, 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 \$194,410 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 \$170,850 to the Capital Projects Fund to support the purchase of a new citywide ERP system. The Combined Utilities Fund also transferred \$108,145 to the general Fund for shared costs for internal engineering services. The General Fund also funded operations of the Golf Course Fund with a transfer of \$452,128. The General Fund transferred \$179,166 to the Internal Service Fund for equipment purchases. The Internal Service Fund also received \$21,300 from the Golf Course Fund and \$352,198 from the Combined Utilities Fund for the purchase of new equipment. The Capital Projects Fund also transferred \$30,000

to the General Fund for park improvements and historical projects, and \$95,800 to the Debt Service Fund for energy upgrade project.

Transfers Out	Transfers In						Total Transfers In
	General Fund	Debt Service Fund	Capital Projects Fund	Combined Utility Funds	Golf Course Fund	Internal Service Fund	
General Fund			199,165		452,128	179,166	830,459
Development Fees Fund				3,011,986			3,011,986
Capital Projects Fund	30,000	95,800			194,410		320,210
Combined Utilities Fund	108,145		170,850			352,198	631,193
Golf Course Fund						21,300	21,300
Total Transfers Out	138,145	95,800	370,015	3,011,986	646,538	552,664	4,815,148

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 and SBITAs

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.

In 2023, the City fully implemented GASB 96, Subscription-based Information Technology Arrangements. There are three SBITAs that qualify under GASB 96 for reporting purposes and are included in the tables below. More information can be found in NOTE 13 – LEASES and SBITAs below.

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, 2023.

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:

<u>OUTSTANDING CERTIFICATES OF PARTICIPATION BONDS</u>		
Purpose	Interest Rate	Amount
Fire Pumper Truck	1.580%	\$368,795
Golf Maintenance Equipment	1.580%	\$166,282
Streetlights & HVAC	2.326%	\$350,000
		<u>\$885,077</u>

ANNUAL DEBT SERVICE REQUIREMENTS TO
MATURITY FOR CERTIFICATES OF PARTICIPATION
BONDS

Year Ending December 31	Principal	Interest
2024	246,678	34,387
2025	260,012	21,719
2026	184,335	11,511
2027	194,052	3,901
TOTAL	885,077	71,519

In 2022, the City implemented GASB 87, Accounting for Leases. In 2023, the City implemented GASB 96, Subscription-Based Information Technology Arrangements (SBITAs). The City also executed a new lease agreement for a new fleet of golf carts in early 2023. All of these actions resulted in recording several capital leases for accounting purposes at the present value of the future lease payments. As of December 31, 2023, the capital assets terms and outstanding payments are recorded as follows:

<u>OUTSTANDING LEASES AND SBITAS</u>		
Purpose	Interest Rate	Amount
Golf Carts	4.500%	606,769
Storm Pond	2.000%	684,867
ERR Copier - Fire	5.000%	4,633
ERR Copier - Ops	5.000%	11,842
ERR Copier - Ops 2	5.000%	5,797
ERR Copier - TED	5.000%	4,633
ERR Copier - TED 2	5.000%	8,216
ERR Copier - Admin	5.000%	9,920
ERR Copier - Police	5.000%	8,353
Police Dash Cams	5.000%	148,366
SPSCC Lease-Water	2.000%	216,886
SPSCC Lease-Sewer	2.000%	108,443
SPSCC Lease-Storm	2.000%	216,886
SBITA-DarkTrace	2.500%	147,201
SBITA-ESRI	5.000%	66,830
SBITA-EERP	0.250%	2,107,767
		<u>\$ 4,357,408</u>

ANNUAL DEBT SERVICE REQUIREMENTS TO
MATURITY FOR CAPITAL LEASE

Year Ending December 31	Principal	Interest
2024	707,145	74,225
2025	720,297	61,073
2026	703,671	46,355
2027	587,103	34,387
2028	571,467	26,263
2029-2033	458,924	79,937
2034-2038	44,069	59,152
2039-2043	48,655	54,566
2044-2048	53,720	49,501
2049-2053	59,311	43,910
2054-2058	65,484	37,737
2059-2063	72,299	30,922
2064-2068	79,824	23,397
2069-2073	88,133	15,088
2074-2078	97,306	5,915
TOTAL	4,357,408	642,429

If any of the tables above 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>
Bonds and Notes Payable					
Capital Lease & COP Obligations	\$1,147,741	\$2,636,429	\$(541,817)	\$3,242,353	\$700,056
	1,147,741	2,636,429	(541,817)	3,242,353	700,056
Plus Premiums / Less Discounts	106,487	-	(23,293)	83,194	-
Total Bonds and Notes Payable	1,254,228	2,636,429	(565,110)	3,325,547	700,056
Other Liabilities					
Compensated Leave	1,898,737	1,918,689	(1,898,737)	1,918,689	1,311,808
Net Pension Liability *	1,574,992	1,422,679	(1,574,992)	1,422,679	-
Total OPEB Liability**	6,044,743	5,549,841	(6,044,743)	5,549,841	134,000
GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES	\$10,772,700	\$11,527,638	\$ (10,083,582)	\$12,216,756	\$ 2,145,864
*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>DUE WITHIN ONE YEAR</u>
Bonds and Notes Payable					
Other Capital Lease Obligations	\$935,211	\$1,176,432	\$(111,508)	\$2,000,135	\$253,767
	935,211	1,176,432	(111,508)	2,000,135	253,767
Plus Premiums	88,765	-	(30,515)	58,250	-
Total Bonds and Notes Payable	1,023,976	1,176,432	(142,023)	2,058,385	253,767
Other Liabilities					
Compensated Leave	345,536	366,967	(345,536)	366,967	250,895
Net Pension Liability *	396,952	316,444	(396,952)	316,444	-
BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES	\$1,766,464	\$1,859,843	\$ (884,511)	\$2,741,796	\$504,662

* 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 \$51,979 and is reported in Governmental Activities. Total interest expense in the current reporting year for long-term debt, other than internal loans, was \$99,908. 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 8.02% interest as of December 31, which is reported as a restricted investment of \$326,456 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 17.42% share, or \$40,925, 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, 2023. 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, 2023, is as follows:

ASSETS AND LIABILITIES

Cash and Cash Equivalents	\$ 2,929,358
Investments	954,609
Taxes Receivable	394,545
Interest Receivable	111
Deferred Inflows - Taxes	(206,277)
Fund Balance and Net Position	<u>4,072,346</u>

REVENUES AND EXPENDITURES

Sales & Use Taxes	2,431,762
Investment Earnings	244,994
Intergovernmental Contract	(4,657,385)
Change in Fund Balance and Net Position	(1,980,629)
Beginning Fund Balance and Net Position	<u>6,052,975</u>
Ending Fund Balance and Net Position	<u>4,072,346</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, 2023. The condensed financial information is as follows:

ASSETS AND LIABILITIES

Cash and Cash Equivalents	\$ 3,338,700
Investments	959,570
Taxes Receivable	25,372
Interest Receivable	444
Deferred Inflows – Taxes	(21,467)
Fund Balance and Net Position	<u>4,302,620</u>

REVENUES AND EXPENDITURES

Property Taxes	1,949,613
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Unrestricted Investment Earnings	169,947
Operating Grants and Contributions	12,049
Intergovernmental Contract	(1,508,133)
Insurance	<u>(5,000)</u>
Change in Fund Balance and Net Position	618,476
Beginning Fund Balance and Net Position	<u>3,684,143</u>
Ending Fund Balance and Net Position	<u><u>4,302,620</u></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 1 OPEB plan subject to the requirements of GASB Statement 75 for the end of the current reporting year.

Aggregate OPEB Amounts	
Total OPEB liabilities 12/31/2023	\$5,549,841
OPEB assets	-
Deferred outflows of resources	73,476
Deferred inflows of resources	-
OPEB expenses	(509,698)

Plan Description

The City of Tumwater provides a single employer defined post-employment benefit plan to LEOFF Plan 1 eligible retirees. Eleven 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

- \$1885.74 for non-Medicare enrolled retiree-only coverage,
- \$331.12 for Medicare-enrolled retiree coverage,
- \$331.12 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 \$164.90 for 2023 and is adjusted based on income factors. The annual deductible for all Medicare Part B beneficiaries is \$226 in 2023.

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 (not including premiums) of \$334,345 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 2022 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 <75, 75-79, 80-85, and 86+ years of age.
- Each cohort of LEOFF 1 members is assumed to be all male. This is deemed reasonable because greater than 98% of all members are currently male and because this assumption does not change any other assumptions, such as mortality, in any significant way.
- Medical and long-term care costs were projected from June 30, 2022, to the measurement date of June 30, 2023, using the healthcare trend rates detailed in the above-mentioned 2022 LEOFF 1 OPEB AVR.

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

Sensitivity Analysis			
Total OPEB Liability	1% Decrease	Current	1% Increase
Discount Rate	\$6,150,531	\$5,549,841	\$5,036,427
Healthcare Trend	5,058,432	5,549,841	6,111,764

As of December 31, 2023, the plan was 0% funded. The accrued liability for benefits was \$5,549,841 and the actuarial value of the assets was \$0 resulting in an Unfunded Actuarial Accrued Liability of the same amount.

Changes in the Total OPEB Liability

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

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

Total OPEB Liability at 1/1/2023	6,044,743
Interest	208,507
Changes of benefit terms: difference between expected and actual experience, and changes in assumptions	(391,261)
Benefit payments	(312,148)
Total OPEB Liability at 12/31/2023	5,549,841

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	\$73,476	-

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 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(1,595,789)
Pension assets	\$10,056,870
Deferred outflows of resources	\$7,276,248
Deferred inflows of resources	\$(3,862,554)
Pension expense	\$(1,167,299)

NOTE: The Deferred Outflows, Deferred Inflows, and Pension Expense reflect corrections made to LEOFF 2 Deferred Inflows and Outflows from 2022. The offset to the Balance Sheet Accounts was to pension expense.

State Sponsored Pension Plans

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

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

The DRS ACFR may be obtained by writing to:

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

Or the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service credit, at age 55 with at least 25 years of service credit, or at age 60 with at least five (5) years of service credit. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January through June 2023	10.39%	6.00%
July through December 2023	10.39%	6.00%

The city's actual contributions to the plan were \$441,477 for the year ended December 31, 2023.

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 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2023	10.39%	6.36%
July through December 2023	10.39%	6.36%
Employee PERS Plan 3		varies

* For employees participating in JBM, the employer contribution rate was 12.89%

The city's actual contributions to the plan were \$828,948 for the year ended December 31, 2023.

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system established in 1970 by the Legislature comprised of two separate defined benefit plans. Membership includes all full-time,

fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians.

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. 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 2023 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
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 \$555,170 for the year ended December 31, 2023.

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, 2023, the state contributed \$87,966,142 to LEOFF Plan 2 system-wide, and \$334,345 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 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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, 2021, Actuarial Valuation Report (AVR). The OSA made adjustments to TRS Plan 1 assets, LEOFF Plan ½ assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.

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, 2023, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	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%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Tumwater’s proportionate share of the net pension liability calculated using the discount rate of 7.0 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.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$3,189,149	\$2,282,732	\$1,491,643
PERS 2/3	\$4,457,809	\$(4,098,683)	\$(11,128,382)
LEOFF 1	\$(2,631,763)	\$(2,968,024)	\$(3,259,614)
LEOFF 2	\$397,143	\$(2,398,598)	\$(4,686,672)

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, 2023, the city reported a total pension liability of \$1,595,789 and total pension assets of \$10,056,870 for its proportionate share of the net pension liabilities as follows:

	Asset	Liability
PERS 1	-	\$1,595,789
PERS 2/3	\$3,695,741	-
LEOFF 1	\$797,389	-
LEOFF 2	\$5,563,740	-
TOTAL	\$10,056,870	\$1,595,789

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

Liability (or Asset)	LEOFF 1	LEOFF 2
Employer's proportionate share	\$(797,389)	\$(5,563,740)
State's proportionate share of the net pension liability/(asset) associated with the employer	\$(5,393,522)	\$(3,552,947)
TOTAL	\$(6,190,911)	\$(9,116,687)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.070822%	0.069907%	(0.000915)%
PERS 2/3	0.092146%	0.090169%	(0.001977)%
LEOFF 1	0.026220%	0.026866%	0.000646%
LEOFF 2	0.244696%	0.231958%	(0.012738)%

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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2023, 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 2023, the state of Washington contributed 38.971910 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61.028090 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2023, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2022, with updated procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2023, the city recognized pension expense as follows:

Pension	Expense
PERS 1	\$(44,046)
PERS 2/3	\$(464,401)
LEOFF 1	\$(86,281)
LEOFF 2	\$(572,571)
TOTAL	\$(1,167,299)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	\$(180,012)
Contributions subsequent to the measurement date	\$191,827	-
TOTAL	\$191,827	\$(180,012)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$752,818	\$(41,293)
Net difference between projected and actual investment earnings on pension plan investments	-	\$(1,392,779)
Changes of assumptions	\$1,551,600	\$(338,188)
Changes in proportion and differences between contributions and proportionate share of contributions	\$76,729	\$(258,605)
Contributions subsequent to the measurement date	\$416,537	-
TOTAL	\$2,797,684	\$(2,030,864)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	\$(52,874)
TOTAL		\$(52,874)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,272,630	\$(45,774)

Net difference between projected and actual investment earnings on pension plan investments	-	\$(1,177,275)
Changes of assumptions	\$1,421,237	\$(457,017)
Changes in proportion and differences between contributions and proportionate share of contributions	\$469,747	\$(591,274)
Contributions subsequent to the measurement date	\$284,699	-
Corrections to 2022 Balances	\$(161,576)	\$672,538
TOTAL	\$4,286,737	\$(1,598,803)
TOTAL DEFERRED OUTFLOW (INFLOW)	\$7,276,248	\$(3,862,553)

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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2024	\$(122,473)
2025	\$(154,024)
2026	\$94,969
2027	\$1,516
2028	-
Thereafter	-
Total	\$(180,012)

Year ended December 31:	PERS 2/3
2024	\$(700,222)
2025	\$(849,724)
2026	\$1,099,564
2027	\$380,665
2028	\$394,869
Thereafter	\$25,132
Total	\$350,283

Year ended December 31:	LEOFF 1
2024	\$(36,252)
2025	\$(45,492)
2026	\$28,220
2027	\$650
2028	-
Thereafter	-
Total	\$(52,874)

Year ended December 31:	LEOFF 2
2024	\$(484,452)
2025	\$(674,567)
2026	\$1,000,682
2027	\$350,690
2028	\$386,507
Thereafter	\$1,313,413

Total	\$1,892,274
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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 \$3.15 per eligible compensated hour. The total required employer contribution and pension expense in the current reporting period was \$213,108. This includes the contribution for the last annual pay period, which was paid by January 10th of the following year in the normal course of business and is included with payables at the end of the reporting period. That amount was \$17,468. 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.

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 AND SBITAS

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 2023 that amount is \$10,000.

The City is the lessor for approximately 20 leases and eight 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, three cell tower leases, space for a restaurant at the Tumwater Valley Golf Course, and multi-family rentals on Lee Street.

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, two 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 2024.

For fiscal year 2023 the City recognized \$216,789 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 2023 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 several active leases, 13 of which are applicable for reporting under GASB 87. Significant leases include seven photocopy machines, land for a storm pond, golf carts and equipment, office space for Water Resources & Sustainability, 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 office space for Water Resources and Sustainability does have the option to renew one additional 5-year term with no option to purchase, and has been reported for the appropriate term under GASB 87 guidance. 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.

Under GASB 96, the City is also the lessee of three subscription-based information technology arrangements (SBITAs). The City has a 4-year subscription for cybersecurity protection, a 3-year subscription for GIS software, and we have purchased a new enterprise resource planning (ERP) system with a 6-year term under GASB 96 guidance. As stated with some GASB 87 leases, any available options at the end of the SBITA subscriptions are likely to change due to the changing of technology, and new agreements will be negotiated at that time.

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

Assets	Beginning Balance	Increases	Decreases	Ending Balance
Leased Land	\$ 691,678	\$ -	\$ 6,811	\$ 684,867
Leased Buildings	-	550,597	8,381	542,216
Leased Equipment	262,710	2,641,174	380,327	2,523,557
Total	\$ 954,388	\$ 3,191,771	\$ 395,519	\$ 3,750,640

Accumulated Amortization	Beginning Balance	Increases	Decreases	Ending Balance
Leased Buildings	\$ -	\$ 8,381	\$ -	\$ 8,381
Leased Equipment	-	380,327	-	380,327
Total	\$ -	\$ 388,708	\$ -	\$ 388,708

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Ending Balance
2024	\$ 707,145	\$ 74,225	\$ 781,370
2025	720,297	61,073	781,370
2026	703,671	46,355	750,025
2027	587,103	34,387	621,490
2028	571,467	26,263	597,730
2029-2033	458,924	79,937	538,861
2034-2038	44,069	59,152	103,221
2039-2043	48,655	54,566	103,221
2044-2048	53,720	49,501	103,221
2049-2053	59,311	43,910	103,221
2054-2058	65,484	37,737	103,221
2059-2063	72,299	30,922	103,221
2064-2068	79,824	23,397	103,221
2069-2073	88,133	15,088	103,221
2074-2078	97,306	5,915	103,221
Total	\$ 4,357,408	\$ 642,429	\$ 4,999,837

In 2023 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 169 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, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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 equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, 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, 2023, 264 cities/towns/non-city entities participate and have enrollment 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, Willamette Dental Group, 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 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States 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 – 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 17 – ACCOUNTING AND REPORTING CHANGES

In 2023, the City changed the thresholds for small and attractive assets and capital assets. For small and attractive assets, the threshold changed from \$500 to \$1,000, and the capital assets threshold increased from \$5,000 to \$10,000. Due to this change, many assets were disposed of, reducing the asset and associated accumulated depreciation amounts in each fund holding assets. The total net impact of assets removed due to threshold changes was \$1,231,709 for governmental assets, \$106,999 for internal services, \$206,985 for golf, and \$856,198 for the combined utilities.

The City has restated the Net Position - Beginning for governmental funds on the Entity-wide Statement of Activities, as well as the Fund Balances – Beginning on the Statement of Revenues, Expenditures and Changes in Fund Balance. It was discovered that the vouchers payable liability account was overstated by \$56,620, causing the December 31, 2022 Ending Net Position on the Statement of Activities, and the Ending Fund Balance on the Statement of Revenues, Expenditures and Changes in Fund Balance to be overstated.

During 2023, the City reviewed GASB statements 94, 96, and 99, Public-Private/Public-Public Partnerships, Subscription-based Information Technology Arrangements, and Omnibus 2022, respectively.

GASB Statement No. 94 - The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government contracts with another governmental or nongovernmental entity to provide public services through (some qualify as service concession arrangements or SCAs) by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. As of December 31, 2023, the City has no PPPs or SCAs, and therefore GASB 94 does not apply to the City at this time.

GASB Statement No. 96 – This GASB statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement defines a SBITA, establishes the right-to-use an intangible subscription asset and corresponding subscription liability. The GASB Statement also provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The standards for SBITAs are heavily based on the standards established in Statement No. 87, Leases, as amended. The City has fully implemented GASB 96 in fiscal year 2023, and included in Note 6 above.

GASB Statement No. 99 – The purpose of Statement 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements, as well as accounting and financial reporting for financial guarantees. The main issues addressed are related to LIBOR, pledges for future revenues by other governments, Leases/PPAs/SBITAs, and derivatives. The City has no LIBOR. We also have no derivatives, as they are illegal in the State of Washington. Pledges for future revenues by other governments is not applicable or likely at this time. As we have fully implemented GASB No. 87 and No. 96, we are updating the reporting of Leases and SBITAs as needed. We consider GASB No. 99 to be fully implemented in 2023.

**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, 2023
For the *Biennium* Ended December 31, 2024**

	2023-2024 BUDGET		2023-2024 ACTUAL
	ORIGINAL	AMENDED	
<u>REVENUES</u>			
Taxes	\$53,928,700	\$53,928,700	\$28,316,336
Licenses & Permits	3,095,500	3,095,500	2,425,474
Intergovernmental	7,378,632	8,922,668	5,781,554
Charges for Services	7,617,975	7,647,975	2,480,583
Fines & Forfeitures	83,000	83,000	29,540
Miscellaneous	432,3500	432,350	1,827,829
TOTAL REVENUES	\$72,536,157	\$74,110,193	\$40,861,316
<u>EXPENDITURES</u>			
<u>Current:</u>			
General Government	\$18,144,658	\$17,499,167	\$7,441,981
Public Safety - Police	18,734,777	19,013,146	8,991,224
Public Safety - Fire	20,682,976	20,776,210	9,718,966
Transportation	7,442,506	7,502,374	3,211,756
Economic Environment	7,126,585	8,289,960	2,529,310
Culture & Recreation	6,901,085	6,985,004	3,650,870
Social Services	520,500	1,290,934	786,309
<u>Debt Service:</u>			
Interest & Fiscal Charges	-	-	9,659
Principal Retirement	-	-	44,822
<u>Capital Outlay:</u>			
General Government	320,000	320,000	-
Transportation	40,000	40,000	-
Culture & Recreation	10,500	10,500	-
TOTAL EXPENDITURES	\$79,923,587	\$81,727,295	\$36,384,897
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$7,387,430)	(\$7,617,102)	\$4,476,419
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Assets	2,000	267,000	2,957
Transfers In	5,161,221	5,176,221	2,240,883
Transfers Out	(6,537,410)	(6,731,460)	(2,933,196)
TOTAL OTHER FINANCING SOURCES (USES)	\$(1,374,189)	\$(1,288,239)	\$(689,356)
NET CHANGE IN FUND BALANCES	\$(8,761,619)	\$(8,905,341)	\$3,787,063
PLUS: FUND BALANCES - BEGINNING	24,119,377	26,773,487	26,755,149
FUND BALANCES - ENDING	\$15,357,758	\$17,868,146	\$30,542,212

CITY OF TUMWATER, WA
DEVELOPMENT FEES Special Revenue Fund - Budget and Actual
Schedule of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2023
For the *Biennium* Ended December 31, 2024

	2023-2024 BUDGET		2023-2024
	ORIGINAL	AMENDED	ACTUAL
REVENUES			
Charges for Services	\$4,800,000	\$4,800,000	\$2,444,106
Miscellaneous	82,500	150,000	456,829
TOTAL REVENUES	\$4,882,500	\$4,950,000	\$2,900,935
EXPENDITURES			
Current:			
General Government	-	-	-
Physical Environment	-	-	-
Transportation	-	-	-
Culture & Recreation	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	\$-	\$-	\$-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$4,882,500	\$4,950,000	\$2,900,935
OTHER FINANCING SOURCES (USES)			
Interfund Loan Repayment	960,000	960,000	-
Transfers Out	(11,066,754)	(10,094,000)	(3,011,986)
TOTAL OTHER FINANCING SOURCES (USES)	\$(10,106,754)	\$(9,134,000)	\$(3,011,986)
NET CHANGE IN FUND BALANCES	\$(5,224,254)	\$(4,184,000)	\$(111,051)
PLUS: FUND BALANCES - BEGINNING	15,004,737	15,661,850	15,677,625
FUND BALANCES - ENDING*	\$9,780,483	\$11,477,850	\$15,566,574

- 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
2023	0.069907%	\$1,595,789	\$12,512,800	12.75%	80.16%
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	-	-	-	-	-

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, 2023

	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
2023	0.090169%	(\$3,695,741)	\$12,512,800	-27.31%	107.02%
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	-	-	-	-	-

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset)/Liability - LEOFF 1
As of June 30, 2023

	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
2023	0.026866%	(\$797,389)	N/A	N/A	175.99%
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	-	-	-	-	-

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset)/Liability - LEOFF 2
As of June 30, 2023

	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
2023	0.231958%	(\$5,563,740)	\$10,177,446	-54.67%	113.17%
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	-	-	-	-	-

City of Tumwater, Washington
Schedule of Employer Contributions - PERS 1
As of December 31, 2023

	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
2023	\$441,477	\$441,477	-	\$13,033,729	3.39%
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	-	-	-	-	-

City of Tumwater, Washington
Schedule of Employer Contributions - PERS 2/3
As of December 31, 2023

	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
2023	\$828,948	\$828,948	-	\$13,033,729	6.36%
2022	\$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	-	-	-	-	-

City of Tumwater, Washington
Schedule of Employer Contributions - LEOFF 2
As of December 31, 2023

	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
2023	\$551,170	\$555,170	-	\$10,843,146	5.12%
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	-	-	-	-	-

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.

	Total OPEB Liability - Beginning	Service Cost	Interest	Change in Benefit Terms	Benefit Payments	Other	Total OPEB Liability - Ending	As a % of Covered Payroll
2023	\$6,044,743	-	\$208,507	(\$391,261)	(\$312,148)	-	\$5,549,841	N/A
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
2017-2014	\$-	-	-	-	-	-	-	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 Transportation & Engineering Department, Water Resources & Sustainability, and the Fleet Maintenance Program 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.

	2023	2022	2021	2020	2019	2018	2017	2016	2015-2014
Required Contributions	\$213,108	\$191,252	\$167,575	\$154,272	\$142,674	\$134,392	\$122,419	\$104,005	-

**City of Tumwater
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via WA State Dept of Fish and Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	18AP00080	83,526	-	83,526	-	1, 2, 3
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via WA State Dept of Fish and Wildlife)	Cooperative Endangered Species Conservation Fund	15.615	22-20496	40,861	-	40,861	-	1, 2, 3
			Total ALN 15.615:	124,387	-	124,387	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607		-	6,201	6,201	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of WA Dept of Transportation)	Highway Planning and Construction	20.205	LA-9894/TAP- 5202(002)	45,263	-	45,263	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of WA Dept of Transportation)	Highway Planning and Construction	20.205	LA-10676	452	-	452	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State of WA Dept of Transportation)	Highway Planning and Construction	20.205	LA-10385/	3,707	-	3,707	-	1, 2, 3
			Total ALN 20.205:	49,422	-	49,422	-	

The accompanying notes are an integral part of this schedule.

**City of Tumwater
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Dept of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-96720-219	726,984	-	726,984	726,984	1, 2, 3
Total Federal Awards Expended:				900,793	6,201	906,994	726,984	

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the current financial resources measurement focus and the modified accrual basis of accounting for all governmental funds and the economic resources measurement focus and the accrual basis of accounting for the proprietary and internal service funds as well as for the government wide financial statements.

Note 2 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the city's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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