Office of the Washington State Auditor
Pat McCarthy

# Financial Statements and Federal Single Audit Report

# City of Issaquah

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

*Published September 29, 2022*

Report No. 1031227

# Office of the Washington State Auditor
# Pat McCarthy

September 29, 2022

Mayor and City Council
City of Issaquah
Issaquah, Washington

## Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Issaquah'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 condition.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

### *Americans with Disabilities*

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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**City of Issaquah**
**January 1, 2021 through December 31, 2021**

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the City of Issaquah 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.

| CFDA No. | Program or Cluster Title |
| --- | --- |
| 66.468 | Drinking Water State Revolving Fund Cluster – Capitalization Grants for Drinking Water State Revolving 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.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## City of Issaquah
## January 1, 2021 through December 31, 2021

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

| **Audit Period:**<br>January 1, 2020 through December 31, 2020 | **Report Ref. No.:**<br>1029419 | **Finding Ref. No.:**<br>2020-001 |
|---|---|---|
| **Finding Caption:**<br>The City's internal controls over preparing financial statements were inadequate for ensuring accurate and complete financial reporting. | | |
| **Background:**<br>City management is responsible for designing, implementing and maintaining internal controls that ensure financial statements are prepared and fairly presented in accordance with general accepted accounting principals (GAAP).<br>During the preparation of the 2020 financial statements, the City's control process did not adequately ensure the statements were accurate. The City's control deficiency represent a significant deficiency and led to a material classification error in the Mitigation Capital Fund and Governmental Activities in the amount of $2,122,383. The amount was a land purchase that net against revenues rather reported as a capital outlay expenditure. As a result, both the revenue and expenditure balances were misstated by the amount. The City subsequently corrected the errors. | | |
| **Status of Corrective Action: (check one)**<br>☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid | | |
| **Corrective Action Taken:**<br>*The finding was related to a single complex land transaction that was reviewed by the City – thereby included in our internal control review – prior to the preparation of the 2020 financial* | | |

*statements and accounted for based on our professional judgement. As noted, we subsequently corrected the transaction in the prior year financial statements.*

*In our efforts to continue to improve our internal controls over financial reporting, specifically related to complex transactions that may result in differing professional judgement based on interpretation and application of U.S GAAP, we took the following actions:*

1) *The Finance Department improved our documented analysis and conclusions on the treatment of complex transactions, including increased collaboration with other City departments and review of related documentation to support our analysis, and*
2) *Engaged with the State Auditor's Office (SAO) timelier, during the preparation of the financial statements rather than during the audit process, on any complex transactions.*

*In addition, the City re-implemented MUNIS, the City's ERP, with the first phases completed in early 2021. The City is currently evaluating the implementation date of the MUNIS Annual Comprehensive Financial Report (ACFR) Builder to assist with financial statement preparation. The ACFR Builder could be a tool to facilitate better transparency and review in our financial statement preparation process. For purposes of the 2021 financial statements, we continued to utilize the services of a professional accounting firm to compile our financial statements and continue to strengthen our controls and internal review.*

# 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 Issaquah**
**January 1, 2021 through December 31, 2021**

Mayor and City Council
City of Issaquah
Issaquah, 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 Issaquah, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2022.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

# 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 Issaquah**
**January 1, 2021 through December 31, 2021**

Mayor and City Council
City of Issaquah
Issaquah, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the City of Issaquah, 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, 2021. 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, 2021.

### 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 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 that might be material weaknesses or significant deficiencies in internal control over compliance. 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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

### 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

# INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

**City of Issaquah**
**January 1, 2021 through December 31, 2021**

Mayor and City Council
City of Issaquah
Issaquah, 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 Issaquah, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

### Basis for Opinions

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

## Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2021, the City implemented a new chart of accounts, which resulted in a change in accounting policy for fiscal year 2021 financial reporting for the governmental funds which have a material effect on the financial statements. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

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

## Required Supplementary Information

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

## Supplementary Information

Our audit was conducted for the purpose of forming 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 taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2022

# FINANCIAL SECTION

**City of Issaquah**
**January 1, 2021 through December 31, 2021**

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## BASIC FINANCIAL STATEMENTS

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Statement of Activities – 2021
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## REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Proportionate Share of Net Pension Liability (Asset) – State-Sponsored Plan – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2021
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Schedule of Employer Contributions – Western Conference of Teamsters Pension Plan – 2021
Notes to Required Supplementary Information – 2021

# SUPPLEMENTARY AND OTHER INFORMATION

# City of Issaquah
# Management's Discussion and Analysis
# December 31, 2021

The City of Issaquah (the City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2021. This MD&A focuses on significant financial matters, provides an overview of the City's financial activities, and highlights significant changes in the City's financial position and material variances between the approved budget and actual spending.

The City encourages readers to consider the information presented here in conjunction with the City's basic financial statements and accompanying notes to the financial statements following this section.

## FINANCIAL HIGHLIGHTS

The following are highlights noted in the City's presentation of the basic financial statements.

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by $771.6 million (net position). Of this amount $84.5 million represents unrestricted net position, which may be used to meet the City's obligations to citizens and creditors.
- The City's net position increased $17.2 million in governmental activities and $9.9 million in business-type activities in 2021, for a total increase of $27.1 million. These increases represent results of 2021 operations.
- The City's total debt outstanding decreased by $0.1 million in 2021. The decrease represents the net amount of the new additions and the principal payments. In 2021, the City was awarded a low interest Drinking Water State Revolving Fund (DWSRF) Loan from which the business-type activities drew a total of $3.3 million during the year.
- With respect to governmental activities, the City's primary sources of revenue continue to be charges for services, operating and capital grants and contributions, property taxes, sales and use taxes, and business and occupation (B&O) tax. The total amount of these revenue sources was $67.6 million in 2021, an increase of $9.1 million from 2020.
- The City reported $60.0 million program revenues and $51.5 million general revenues. Program revenues increased by $7.2 million in 2021. General revenues, including property taxes, sales taxes and business taxes increased by $5.4 million in 2021.
- At the end of year, the City's governmental funds reported a combined fund balance of $78.6 million, an increase of $7.9 million from 2020. Of the total governmental fund balance reported, $53.7 million is identified as nonspendable, restricted, committed, or assigned and the remaining $24.8 million is available for spending at the City's discretion.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis serve as an introduction to the City's basic financial statements, comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also includes required supplementary information (RSI) which provides additional details to support the basic financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed and presented to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. They are presented on the accrual basis of accounting where revenues and expenses are recognized on the date they occur rather than on the date they are collected or paid. The statements provide near-term and long-term information about the City's financial position, which assists in assessing the City's financial condition at the end of the fiscal year.

The Statement of Net Position presents information on all City assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents changes in net position during the current reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some reported revenues and expenses result in cash flows in future periods. Examples are uncollected taxes and earned but unused compensated absences.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, transportation, natural and economic development, social services, culture and recreation, and interest on outstanding debt. The business-type activities of the City include water, sewer, and stormwater utility functions.

The government-wide financial statements present only the operations of the City itself as the City has no component units. The government-wide financial statements can be found immediately following this analysis.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be categorized into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual, which focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. The governmental fund statements provide a detailed short-term view of the governmental fund operations and the basic services provided. These statements may be useful in assessing the City's near-term financing requirements. Most of the City's basic services are reported in the governmental funds.

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

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service and capital project funds). Information for the major governmental funds is presented separately in the governmental funds. Information for the nonmajor funds is presented in aggregate. The General Fund, Mitigation Capital Fund and Capital Projects Fund are considered major funds and are reported separately in the governmental fund statements. While the City adopts a budget for each of its funds, the budgetary comparison is included in the governmental fund statements only for the General Fund as required.

**Proprietary funds** are comprised of enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's enterprise funds charge fees to customers to cover the costs of certain services provided. The City's water, sewer, and stormwater operations are reported as enterprise funds. The City's self-insurance activities, information technology function, and fleet services are reported as internal service funds, for which the principal operating revenues are charges to other organizational units within the City for services provided.

**Fiduciary funds** account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for propriety funds. The City's fiduciary funds include custodial funds.

**Notes to the Basic Financial Statements** are an integral part of the financial statements. They provide additional disclosures that are essential to the full understanding of the City's financial statements. The notes immediately follow the fund financial statements.

## GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net position serves as a useful indicator of the City's financial position especially when viewed over multiple periods of time. The City's assets and deferred outflows exceeded liabilities and deferred inflows of resources by $771.6 million in 2021. The following table reflects a summary of the City's net position for 2021 as compared to the prior year (original).

Condensed Statements of Net Positions

*(Stated in thousands 000's)*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | $ 123,874 | $ 91,535 | $ 52,644 | $ 44,219 | $ 176,518 | $ 135,754 |
| Capital asets, net of depreciation | 543,996 | 545,855 | 118,725 | 112,701 | 662,721 | 658,556 |
| Total Assets | $ 667,870 | $ 637,390 | $ 171,369 | $ 156,920 | $ 839,239 | $ 794,310 |
| Deferred outflows of resources | $ 2,419 | $ 2,499 | $ 838 | $ 978 | $ 3,257 | $ 3,477 |
| Current liabilities | $ 12,638 | $ 5,346 | $ 2,161 | $ 1,355 | $ 14,799 | $ 6,701 |
| Noncurrent liabilities | 32,639 | 40,541 | 4,596 | 3,230 | 37,235 | 43,771 |
| Total Liabilities | $ 45,277 | $ 45,887 | $ 6,757 | $ 4,585 | $ 52,034 | $ 50,472 |
| Deferred inflows of resources | $ 16,143 | $ 2,362 | $ 2,752 | $ 523 | $ 18,895 | $ 2,885 |
| Net investment in capital assets | $ 517,330 | $ 512,795 | $ 115,354 | $ 112,091 | $ 632,684 | $ 624,886 |
| Restricted | 53,950 | 46,926 | 428 | 716 | 54,378 | 47,642 |
| Unrestricted | 37,589 | 31,919 | 46,916 | 39,983 | 84,505 | 71,902 |
| Total Net Position | $ 608,869 | $ 591,640 | $ 162,698 | $ 152,790 | $ 771,567 | $ 744,430 |

The City's $771.6 million net position is comprised of three parts or classifications. The largest portion of the City's net position, at $632.7 million (or 82% of total net position) is invested in capital assets (e.g., land, buildings, infrastructure, and equipment) and net of related outstanding debt. The City uses these capital assets to provide services to its citizens, thus they do not represent resources available for future spending.

Restricted net position totals $54.4 million (or 7% of total net position) and represents cash and investments that are legally restricted for capital expansion, debt service, pension, and other purposes.

The remaining $84.5 million (or 11% of total net position) is unrestricted and is available for meeting the City's ongoing operational obligations.

Total liabilities increased by $1.6 million to $52 million in 2021. The City was awarded a DWSRF loan from which it drew $3.3 million in 2021. The City also received American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) which amounted to $5.5 million in 2021. The City continues paying down its existing debts.

The total net position increased by $27.1 million. The reasons for the overall increase are discussed in the following section for governmental activities and business-type activities. Overall, the City's financial position has improved in 2021.

The Statement of Activities presents the changes in the City's net position from one year to the next. As illustrated in the table below, the total net position of the City increased $27.1 million in 2021. In 2020, the City had an increase in net position of $10.6 million. The rate of the increase in net position increased in 2021 compared to 2020. In 2021, the City had strong growth in parks and recreation class revenue, permitting activity, and tax revenue, most notably, sales and use taxes and business and occupation taxes, and utility charges for services. The revenue growth was due to the economic recovery following the COVID-19 pandemic. The growth in net position was also increased by a reduction in expense related to the City's retirement pension plans administered by Washington state. Descriptions of significant components of revenues and expenses contributing to the change in net position are presented in the table below.

Condensed Statements of Activities
*(Stated in thousands 000's)*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Charges for services | $ 15,707 | $ 13,082 | $ 30,150 | $ 27,957 | $ 45,857 | $ 41,039 |
| Operating grants and contributions | 3,320 | 4,647 | 59 | 238 | 3,379 | 4,885 |
| Capital grants and contributions | 3,160 | 1,743 | 7,616 | 5,135 | 10,776 | 6,878 |
| Total program revenues | 22,187 | 19,472 | 37,825 | 33,330 | 60,012 | 52,802 |
| Property taxes | 11,547 | 11,316 | - | - | 11,547 | 11,316 |
| Sales taxes | 22,306 | 17,525 | - | - | 22,306 | 17,525 |
| Business taxes | 11,562 | 10,166 | - | - | 11,562 | 10,166 |
| Other general revenues | 5,918 | 5,792 | 130 | 1,220 | 6,048 | 7,012 |
| Total general revenues | 51,333 | 44,799 | 130 | 1,220 | 51,463 | 46,019 |
| Total revenues | 73,520 | 64,271 | 37,955 | 34,550 | 111,475 | 98,821 |
| Expenses | | | | | | |
| Governmental | 56,460 | 60,283 | - | - | 56,460 | 60,283 |
| Water | - | - | 12,277 | 11,263 | 12,277 | 11,263 |
| Sewer | - | - | 10,247 | 10,300 | 10,247 | 10,300 |
| Stormwater | - | - | 5,354 | 5,952 | 5,354 | 5,952 |
| Total expenses | 56,460 | 60,283 | 27,878 | 27,515 | 84,338 | 87,798 |
| Excess before transfers | 17,060 | 3,988 | 10,077 | 7,035 | 27,137 | 11,023 |
| Transfers | 169 | 860 | (169) | (860) | - | - |
| Increases in net position | 17,229 | 4,848 | 9,908 | 6,175 | 27,137 | 11,023 |
| Net position - beginning | 591,640 | 586,931 | 152,790 | 146,932 | 744,430 | 733,863 |
| Prior period restatements | - | (139) | - | (318) | - | (457) |
| Restated net position - beginning | 591,640 | 586,792 | 152,790 | 146,614 | 744,430 | 733,406 |
| Net position - ending | $ 608,869 | $ 591,640 | $ 162,698 | $ 152,789 | $ 771,567 | $ 744,429 |

**Governmental activities** – the change in net position for governmental activities for 2021 totaled $17.2 million compared to $4.8 million for 2020. Total revenue increased by $9.2 million, primarily due to strong growth in parks and recreation class revenue, permitting activity, and tax revenue, most notably, sales and use taxes and business and occupation taxes, due to the economic recovery following the COVID-19 pandemic. The total program revenue, including charges for services, increased by $2.7 million in 2021, while general revenue, including property taxes, sales taxes and business taxes increased by $6.5 million in 2021. Total expenses decreased by $3.8 million in 2021, which resulted from reductions in spending in 2021 on economic assistance programs in response to the COVID-19 pandemic compared to 2020 and reductions in expense related to the City's retirement pension plans administered by Washington state. As a result of the significant increase in revenues and reduction of expenses, the change in net position in 2021 improved from 2020.

**Business-type activities** – the change in net position for business-type activities for 2021 totaled $9.9 million compared to $6.2 million for 2020. Total revenues increased by $3.4 million, primarily due to increases in charges for services and in capital contributions. The City received total capital contributions of $7.6 million in 2021 compared to $5.1 million in 2020, while charges for services increased from $28.0 million in 2020 to $30.2 million in 2021. Total expenses had a slight increase of $0.4 million in 2021. As a result, the change in net position for business-type activities improved in 2021.

## FUND FINANCIAL ANALYSIS

### Governmental Funds

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

The City's governmental funds reported combined ending fund balances of $78.6 million as of December 31, 2021, an increase of approximately $7.9 million from 2020. Approximately 32 percent of the fund balances or $24.8 million constitutes unassigned fund balance after consideration for amounts identified as assigned ($0.5 million), committed ($4.4 million), restricted ($48.2 million) or in a nonspendable form ($0.7 million). Assigned amounts are intended for specific purposes as expressed by the City. Restricted amounts are constrained to specific purposes by their providers (such as grantors or bondholders), while committed amounts are formally constrained to specific purposes by the City through action of the Council. Overall, the City's governmental fund's financial position improved in 2021.

The City's major funds are analyzed in the following paragraphs.

The General Fund is the chief operating fund of the City. As of December 31, 2021, unassigned fund balance of the General Fund was $24.8 million, while total fund balance reported was $29.1 million. Total fund balance for the General Fund increased by $8.1 million from the prior year. Total excess fund revenues over expenditures amounted to $14.0 million in 2021 compared to $6.9 million in 2020, primarily due to strong growth in parks and recreation class revenue, permitting activity, and tax revenue, most notably, sales and use taxes and business and occupation taxes, due to the economic recovery following the COVID-19 pandemic. The City also received a $2.6 million grant for reimbursement of a prior year's land acquisition.  This was also added to by a decrease in anticipated expenditures in 2021 due to the resulting effects of COVID, including personnel vacancies and supply-chain disruptions.

The Mitigation Fund reported total fund balance of $15.6 million, all of which is restricted for capital projects. Total fund balance for the Mitigation Fund slightly decreased by $0.1 million from the prior year due to a $0.8 million impact fee refund. The Mitigation Fund collects impact fees and then transfers the impact fees collected to capital project funds for capital projects. Total fund revenues decreased to $2.8 in 2021 from $3.1 million in 2020. The decrease in revenue was primarily due to $0.2 million decrease in investment earnings.

The Capital Projects Fund reported total fund balance of $20.4 million for the year ended December 31, 2021, all of which is restricted for capital projects of the City. The total fund balance decreased by $0.5 million from prior year. This was primarily due to a decrease in intergovernmental revenues from $0.5 million in 2021 from $1.4 million in 2020. Total fund revenues decreased by $1.5 million while total fund expenditures had an increase of $1.6 million compared to 2020. The increase in expenditures was primarily attributable to the turf replacement and improvements to Central Park, which substantially began construction in 2021.

### Proprietary Funds

The City's Water Fund ended the year with a $4.5 million increase in net position. The increase was primarily due to capital contributions. Capital contributions from developers amounted to $3.6 million, an increase of $0.3 million from 2020. Total net position at the end of 2021 was reported at $77.8 million, of which $57.4 million was invested in capital assets net of related debt, $0.1 million was restricted for pension, and the remaining net position of $20.2 million was unrestricted and available to fund ongoing operations.

The Sewer Fund ended the year with a $1.8 million increase in net position. The increase was primarily due to the increase in charges for services. Total charges for services increased by $0.8 million in 2021. The fund ended 2021 with a total net position of $28.5 million, comprised of an investment in capital assets net of related debt of $14.1 million, $0.05 million was restricted for pension, and a remaining unrestricted balance of $14.4 million available to fund ongoing operations.

The Stormwater Fund ended the year with a $3.6 million increase in net position. The increase was primarily due to capital contributions attributable to donated assets. Capital contributions increased by $2.0 million in 2021 from 2020. At the end of 2021, the fund reported total net position of $56.4 million, including net position invested in capital assets net of related debt $43.8 million, restricted for capital project of $0.08 million, restricted for pension of $0.2 million and unrestricted net position available in the amount of $12.3 million.

## GENERAL FUND BUDGETARY HIGHLIGHTS

**Original budget compared to final budget**. Total budgeted expenditures increased by approximately $3.9 million from the original budget to the final budget. The City increased its budgeted expenditures during 2021 primarily for planned SLFRF programs (approximately $0.9 million) and cost allocations to internal service funds (approximately $1.9 million). The final budget increased grant revenues by $5.5 million for SLFRF funds, which were budgeted as intergovernmental revenue for the year, however, only $0.08 million of actual revenue was recognized.

**Final budget compared to actual expenditures.** The City adopts budgets annually on a modified accrual basis, at the fund level. A comparison of the actual performance of the General Fund on a budgetary basis to the final revised budget indicates that total revenues were $6.3 million, or 12 percent, more than the final budget. This was primarily due to revenues from sales taxes and B&O taxes coming in more than budgeted by a total of $7.9 million with an offsetting impact of $2.3 million of intergovernmental revenue coming in less than budgeted. Expenditures were $4.9 million, or 9 percent, less than the final budget. The City carefully managed its budget in response to the COVID-19 as well as experienced position vacancies and supply chain related delays in spending that resulted in less than anticipated expenditures in 2021.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's government-wide investment in capital assets as of December 31, 2021, amounts to $662.7 million (net of accumulated depreciation). This investment in capital assets includes land & other non-depreciable assets, infrastructure, intangible property, buildings & improvements, machinery & equipment, and construction in progress as shown in the following table.

Capital Assets, Net of Accumulated Depreciation
*(Stated in thousands 000's)*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 Restated | 2021 | 2020 Restated | 2021 | 2020 Restated |
| Land and other nondepreciables | $ 344,082 | $ 344,072 | $ 17,140 | $ 16,874 | $ 361,222 | $ 360,946 |
| Infrastructure | 131,425 | 139,241 | - | - | 131,425 | 139,241 |
| Plant in service | - | - | 83,770 | 83,699 | 83,770 | 83,699 |
| Intangible property | 115 | 144 | 45 | 76 | 161 | 220 |
| Building & Improvements | 47,351 | 49,286 | 6,337 | 6,533 | 53,688 | 55,819 |
| Machinery & Equipment | 4,875 | 4,504 | 563 | 458 | 5,438 | 4,961 |
| Construction in progress | 16,148 | 8,627 | 10,870 | 5,316 | 27,018 | 13,943 |
| Total | $ 543,996 | $ 545,873 | $ 118,725 | $ 112,957 | $ 662,721 | $ 658,829 |

Construction in progress increased by $13.1 million after consideration of prior period adjustments. The increase was primarily due to three major capital projects, the traffic signal improvements for SE 43rd Way, the turf replacement and improvements to Central Park, and the SPAR drinking water booster pump station in 2021.

Additional information on the City's capital assets can be found in Note 7 in the Notes to the Financial Statements. Construction commitments can be found in Note 15 in the Notes to the Financial Statements.

### Debt Administration

The City of Issaquah's total outstanding bonded debts as of December 31, 2021, is shown in the table below. Outstanding debt slightly increased approximately by $0.1 million from 2020 as a result of the net amount of the draws from the DSWRF loan and scheduled principal payments during the current year. In 2021, the City's total draws from the DWSRF loan were $3.3 million, and the bonds payments were $3.4 million.

Outstanding Bonds and Other Debts
*(Stated in thousands 000's)*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | $ 25,860 | $ 28,624 | $ - | $ - | $ 25,860 | $ 28,624 |
| Special assessment bonds | 50 | 65 | - | - | 50 | 65 |
| Revenue bonds | - | - | - | 610 | - | 610 |
| DWSRF loan | - | - | 3,293 | - | 3,293 | - |
| Total | $ 25,910 | $ 28,689 | $ 3,293 | $ 610 | $ 29,203 | $ 29,299 |

Additional information on the City's long-term debt can be found in Note 12, in the Notes to the Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors currently affect the City and are being considered in developing the 2022 budget:

- The City's 2022 adopted budget totals $145.6 million, including $61.4 million for the General Fund and $22.7 million in capital investments. The 2022 adopted budget is up $16.8 million (13 percent) from the 2021 adopted budget, primarily as a result of the 2022 budget including one-time funding to help the City recover from the COVID-19 pandemic and also make essential investments in our community's top priorities. The budget also includes modest revenue increases and commits a conservative amount of ongoing costs to meet the City's long-term needs. The General Fund budget is up $8.1 million (15.1 percent) relative to the 2021 adopted budget, primarily due to the economic recovery following the COVID-19 pandemic, including the receipt of the second half of SLFRF funding – approximately $5.5 million, increases in sales, business & occupation, and utility taxes, and increases in departmental revenues due to the restoring of services previously paused or reduced during the pandemic.

- The General Fund continues to levy the legally authorized increase in property taxes of one percent (1%).

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Issaquah, Finance Department, Attn: Chief Financial Officer at P.O. Box 1307, Issaquah, WA 98027.

**CITY OF ISSAQUAH**
Statement of Net Position
December 31, 2021

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and investments | $ 93,002,872 | $ 44,913,162 | $ 137,916,034 |
| Receivables (net) | 8,382,677 | 4,320,498 | 12,703,175 |
| Inventories | 705,805 | 644,696 | 1,350,501 |
| Prepaid | 235,471 | 8,494 | 243,965 |
| Internal balance | (183,840) | 183,840 | - |
| Due from other governments | 3,381,436 | 44,472 | 3,425,908 |
| Total current assets | 105,524,421 | 50,115,162 | 155,639,583 |
| **Non-current assets:** | | | |
| Net pension asset | 18,348,978 | 2,528,669 | 20,877,647 |
| Nondepreciable capital assets | 360,230,208 | 28,009,796 | 388,240,004 |
| Depreciable capital assets, net of accumulated depreciation | 183,766,161 | 90,715,263 | 274,481,424 |
| Total non-current assets | 562,345,347 | 121,253,728 | 683,599,075 |
| Total assets | 667,869,768 | 171,368,890 | 839,238,658 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred amount related to AROs | 39,818 | 479,980 | 519,798 |
| Deferred amount related to pensions | 2,291,938 | 358,111 | 2,650,049 |
| Deferred amount related to OPEB | 63,325 | - | 63,325 |
| Deferred amount related to refunding debts | 23,481 | - | 23,481 |
| Total deferred ouflows of resources | 2,418,562 | 838,091 | 3,256,653 |
| **LIABILITIES** | | | |
| **Current liabilities:** | | | |
| Accounts payable and other accrued liabilities | 4,603,611 | 2,050,604 | 6,654,215 |
| Due to other governments | 5,775,983 | 110,593 | 5,886,576 |
| Accrued interest payable | 55,985 | - | 55,985 |
| Unearned revenues | 999,432 | - | 999,432 |
| Customer deposits | 1,203,163 | - | 1,203,163 |
| Total current liabilities | 12,638,174 | 2,161,197 | 14,799,371 |
| **Noncurrent liabilities:** | | | |
| Due within one year | 3,786,063 | 169,688 | 3,955,751 |
| Due in more than one year | 25,355,757 | 3,676,446 | 29,032,203 |
| Asset retirement obligations | 46,350 | 497,993 | 544,343 |
| Net pension liability | 1,146,306 | 251,629 | 1,397,935 |
| OPEB liability - long-term portion | 2,304,506 | - | 2,304,506 |
| Total non-current liabilities | 32,638,982 | 4,595,756 | 37,234,738 |
| Total Liabilities | 45,277,156 | 6,756,953 | 52,034,109 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred amounts related to pensions | 16,142,537 | 2,751,965 | 18,894,502 |
| Total deferred inflows of resources | 16,142,537 | 2,751,965 | 18,894,502 |
| **NET POSITION** | | | |
| Net investment in capital assets | 517,330,440 | 115,353,544 | 632,683,984 |
| Restricted for: | | | |
| Pension | 5,482,263 | 350,789 | 5,833,053 |
| Capital projects | 44,044,931 | 78,049 | 44,122,980 |
| Debt service | 1,462,035 | - | 1,462,035 |
| Tourism | 284,180 | - | 284,180 |
| Housing | 2,389,787 | - | 2,389,787 |
| Other purposes | 286,379 | - | 286,379 |
| Unrestricted | 37,588,622 | 46,915,680 | 84,504,302 |
| Total Net Position | $ 608,868,637 | $ 162,698,063 | $ 771,566,700 |

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

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

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business-Type Activities | Net (Expense) Revenue and Changes in Net Position: Total |
|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 6,563,171 | $ 1,561,038 | $ 484,860 | $ 7,000 | $ (4,510,273) | $ - | $ (4,510,273) |
| Judicial | 3,156,887 | 451,775 | - | - | (2,705,112) | - | (2,705,112) |
| Public safety | 17,914,449 | 2,959,487 | 1,296,335 | 9,483 | (13,649,144) | - | (13,649,144) |
| Transportation | 11,726,084 | - | 828,339 | 508,025 | (10,389,720) | - | (10,389,720) |
| Natural and economic environment | 7,530,192 | 8,313,610 | 97,938 | - | 881,356 | - | 881,356 |
| Social services | 940,562 | - | 115,483 | - | (825,079) | - | (825,079) |
| Culture and recreation | 7,875,948 | 2,420,866 | 496,973 | 2,635,378 | (2,322,731) | - | (2,322,731) |
| Interest and other debt costs | 752,919 | - | - | - | (752,919) | - | (752,919) |
| Total governmental activities | 56,460,212 | 15,706,776 | 3,319,928 | 3,159,886 | (34,273,622) | - | (34,273,622) |
| **Business-Type Activities:** | | | | | | | |
| Water | 12,276,567 | 12,515,160 | 6,920 | 3,671,384 | - | 3,916,896 | 3,916,896 |
| Sewer | 10,246,598 | 11,852,701 | 5,319 | 512,315 | - | 2,123,737 | 2,123,737 |
| Stormwater | 5,353,663 | 5,781,713 | 46,581 | 3,432,150 | - | 3,906,781 | 3,906,781 |
| Total business-type activities | 27,876,828 | 30,149,574 | 58,820 | 7,615,849 | - | 9,947,414 | 9,947,414 |
| Total primary government | $ 84,337,040 | $ 45,856,350 | $ 3,378,748 | $ 10,775,735 | $ (34,273,622) | $ 9,947,414 | $ (24,326,208) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | $ 11,546,665 | $ - | $ 11,546,665 |
| Sales and Use Taxes | | | | | 22,306,153 | - | 22,306,153 |
| Business and Occupation Taxes | | | | | 11,562,489 | - | 11,562,489 |
| Other taxes and assessments | | | | | 5,559,877 | - | 5,559,877 |
| Investment Earnings | | | | | 341,711 | 458,104 | 799,815 |
| Gain on Disposal of Capital Assets | | | | | 102,336 | - | 102,336 |
| Unrealized investment loss | | | | | (565,198) | (837,168) | (1,402,366) |
| Miscellaneous | | | | | 479,688 | 508,569 | 988,257 |
| Transfers | | | | | 168,743 | (168,743) | - |
| Total General Revenues, special items and transfers | | | | | 51,502,464 | (39,238) | 51,463,226 |
| Change in Net Position | | | | | 17,228,842 | 9,908,177 | 27,137,019 |
| Net Position - Beginning | | | | | 591,639,795 | 152,789,886 | 744,429,681 |
| Net Position - Ending | | | | | $ 608,868,637 | $ 162,698,063 | $ 771,566,700 |

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

**CITY OF ISSAQUAH**
Governmental Funds
Balance Sheet
December 31, 2021

| | General Fund | Mitgation Capital Fund | Capital Projects | Non-Major Governmental Funds | Total Govermental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and investments | $ 28,910,440 | $ 16,345,352 | $ 20,829,854 | $ 12,856,595 | $ 78,942,241 |
| Current receivables (net) | 7,225,749 | 47,537 | 15,107 | 1,059,620 | 8,348,013 |
| Inventories | - | - | - | 432,462 | 432,462 |
| Prepaid items | 6,513 | - | - | - | 6,513 |
| Due from other governments | 3,237,223 | - | 144,213 | - | 3,381,436 |
| Total assets | 39,379,925 | 16,392,889 | 20,989,174 | 14,348,677 | 91,110,665 |
| LIABILITIES | | | | | |
| Accounts payable and other accrued liabilities | 2,360,953 | 788,532 | 414,693 | 347,708 | 3,911,886 |
| Due to other governments | 5,758,017 | - | - | - | 5,758,017 |
| Deferred revenues | 839,432 | - | 160,000 | - | 999,432 |
| Customer deposits | 1,203,163 | - | - | - | 1,203,163 |
| Advances from other funds | - | - | - | 183,840 | 183,840 |
| Total liabilities | 10,161,565 | 788,532 | 574,693 | 531,548 | 12,056,338 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - receivables | 121,242 | - | 40,660 | 337,828 | 499,730 |
| Total deferred inflows of resources: | 121,242 | - | 40,660 | 337,828 | 499,730 |
| FUND BALANCES | | | | | |
| Nonspendable | 264,544 | - | - | 432,462 | 697,006 |
| Restricted | 2,418,135 | 15,604,357 | 20,373,821 | 9,812,968 | 48,209,281 |
| Committed | 1,112,146 | - | - | 3,233,871 | 4,346,017 |
| Assigned | 472,854 | - | - | - | 472,854 |
| Unassigned | 24,829,439 | - | - | - | 24,829,439 |
| Total fund balances | 29,097,118 | 15,604,357 | 20,373,821 | 13,479,301 | 78,554,597 |
| Total liabilities, deferred inflows of resources and fund balances | $ 39,379,925 | $ 16,392,889 | $ 20,989,174 | $ 14,348,677 | $ 91,110,665 |

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

**CITY OF ISSAQUAH**
Reconciliation of the Balance Sheet to
the Statement of Net Position
Year Ended December 31, 2021

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

| | | |
|---|---|---|
| Total governmental fund balances | $ | 78,554,597 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | | 538,865,549 |
| Internal Service Funds are used to charge the costs of services to individual funds. The assets and liabilities of internal service funds are included in governmental activities on the statement of net position | | 18,543,282 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds—unavailable revenues | | 499,730 |
| Items related to pension activity that are not financial resources therefore, not reported in the funds | | 3,393,867 |
| Items related to OPEB that are not financial resources therefore, not reported in the funds | | (2,367,830) |
| Items related to AROs that are not financial resources therefore, not reported in the funds | | (6,532) |
| Long-term liabilities and related interest that are not due and payable in the current period and are not reported in the funds | | (28,637,507) |
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the fund | | 23,481 |
| Net position of governmental activities | $ | 608,868,637 |

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

**CITY OF ISSAQUAH**
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2021

| | General Fund | Mitgation Capital Fund | Capital Projects | Non-Major Governmental Funds | Total Govermental Funds |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Property taxes | $ 9,770,918 | $ - | $ - | $ 1,749,767 | $ 11,520,685 |
| Sales taxes | 22,171,951 | - | - | 134,202 | 22,306,153 |
| Business and occupation taxes | 11,562,489 | - | - | - | 11,562,489 |
| Other taxes and assessments | 185,078 | - | - | 5,459,672 | 5,644,750 |
| Licenses and permits | 5,502,908 | - | - | - | 5,502,908 |
| Intergovernmental | 5,040,775 | - | 479,821 | 829,319 | 6,349,915 |
| Charges for services | 4,834,835 | 2,596,360 | - | 297,848 | 7,729,043 |
| Fines and forfeitures | 86,173 | 4,800 | - | 1,192,510 | 1,283,483 |
| Interest earnings | 104,752 | 170,540 | - | 18,079 | 293,371 |
| Rents and leases | 1,360,213 | - | - | - | 1,360,213 |
| Contributions and donations | 52,014 | - | 9,309 | 13,250 | 74,573 |
| Miscellaneous revenues | 386,982 | - | - | 92,708 | 479,690 |
| Total revenues | 61,059,088 | 2,771,700 | 489,130 | 9,787,355 | 74,107,273 |
| **Expenditures:** | | | | | |
| Current | | | | | |
| General government | 7,932,139 | 348,503 | - | 79,429 | 8,360,071 |
| Judicial | 3,425,857 | - | - | - | 3,425,857 |
| Public safety | 19,128,941 | - | - | 488,573 | 19,617,514 |
| Transportation | 37,666 | - | 629,386 | 4,121,589 | 4,788,641 |
| Natural and economic environment | 7,769,393 | 788,466 | - | 191,613 | 8,749,472 |
| Social services | 1,115,978 | - | - | - | 1,115,978 |
| Culture and recreation | 7,549,294 | - | - | 176,767 | 7,726,061 |
| Debt service: | | | | | |
| Principal retirement | - | - | 350,000 | 2,778,507 | 3,128,507 |
| Interest and fiscal charges | - | - | - | 759,984 | 759,984 |
| Capital outlay: | 124,311 | - | 7,696,972 | 37,862 | 7,859,145 |
| Total Expenditures | 47,083,579 | 1,136,969 | 8,676,358 | 8,634,324 | 65,531,230 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 13,975,509 | 1,634,731 | (8,187,228) | 1,153,031 | 8,576,043 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | 25,000 | - | 7,717,377 | 4,149,721 | 11,892,098 |
| Transfers out | (6,729,038) | (1,725,405) | (24,823) | (4,110,464) | (12,589,730) |
| Total other financing sources (uses) | (6,704,038) | (1,725,405) | 7,692,554 | 39,257 | (697,632) |
| Net changes in fund balances | 7,271,471 | (90,674) | (494,674) | 1,192,288 | 7,878,411 |
| Fund balances - beginning | 20,959,997 | 15,695,031 | 9,991,303 | 24,029,855 | 70,676,186 |
| Prior period restatements | 865,650 | - | 10,877,192 | (11,742,842) | - |
| Fund balances - ending | $ 29,097,118 | $ 15,604,357 | $ 20,373,821 | $ 13,479,301 | $ 78,554,597 |

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

**CITY OF ISSAQUAH**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2021

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net changes in fund balances - total governmental funds: | $ | 7,878,411 |
| 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 expenses. This is the amount by which capital outlays exceeded depreciation in the current period | | (2,959,082) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | | (145,574) |
| Expenditures recognized in governmental activities for pension, OPEB, and compensated absences that are not financial resources and therefore not reported in the funds | | 5,987,427 |
| The net effect of various miscellaneous transactions, such as special funding for LEOFF 1 is to increase net position | | 133,867 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 3,135,572 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (loss) of most of these activities is reported with governmental activities. | | 3,198,221 |
| Changes in Net Position - governmental activities | $ | 17,228,842 |

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

**CITY OF ISSAQUAH**
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended December 31, 2021

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amount | Vairance with Final Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Property taxes | $ 9,812,955 | $ 9,812,955 | $ 9,770,918 | $ (42,037) |
| Sales taxes | 15,898,738 | 15,898,738 | 22,171,951 | 6,273,213 |
| Business and occupation taxes | 9,890,740 | 9,890,740 | 11,562,489 | 1,671,749 |
| Other taxes and assessments | 162,000 | 162,000 | 185,078 | 23,078 |
| Licenses and permits | 5,388,348 | 5,388,348 | 5,502,908 | 114,560 |
| Intergovernmental | 1,442,501 | 7,356,417 | 5,040,775 | (2,315,642) |
| Charges for services | 4,621,231 | 4,621,231 | 4,834,835 | 213,604 |
| Fines and forfeitures | 120,560 | 120,560 | 86,173 | (34,387) |
| Interest earnings | 335,000 | 335,000 | 104,752 | (230,248) |
| Rents and leases | 1,149,241 | 1,149,241 | 1,360,213 | 210,972 |
| Contributions and donations | 22,500 | 38,500 | 52,014 | 13,514 |
| Miscellaneous revenues | 7,500 | 7,500 | 386,982 | 379,482 |
| Total revenues | 48,851,314 | 54,781,230 | 61,059,088 | 6,277,858 |
| **Expenditures:** | | | | |
| Current | | | | |
| General government | 8,021,136 | 8,364,460 | 7,715,090 | 649,370 |
| Judicial | 3,085,672 | 3,145,357 | 3,425,857 | (280,500) |
| Public safety | 19,504,423 | 20,540,351 | 19,128,941 | 1,411,410 |
| Transportation | - | - | 37,666 | (37,666) |
| Natural and economic environment | 8,498,482 | 8,945,496 | 7,769,393 | 1,176,103 |
| Social services | 1,311,527 | 1,823,898 | 1,115,978 | 707,920 |
| Culture and recreation | 7,439,384 | 8,872,485 | 7,549,294 | 1,323,191 |
| Capital outlay: | - | 72,100 | 124,311 | (52,211) |
| Total Expenditures | 47,860,624 | 51,764,147 | 46,866,530 | 4,897,617 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 990,690 | 3,017,083 | 14,192,558 | 11,175,475 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 25,000 | 25,000 | 25,000 | - |
| Transfers out | (6,186,802) | (6,729,038) | (6,729,038) | - |
| Total | (6,161,802) | (6,704,038) | (6,704,038) | - |
| Adjustment from budgetary basis to GAAP basis | | | (217,049) | |
| Net change in fund balances | $ (5,171,112) | $ (3,686,955) | 7,271,471 | $ 11,175,475 |
| Fund balances - beginning | | | 20,959,997 | |
| Restatements | | | 865,650 | |
| Fund balances - ending | | | $ 29,097,118 | |

Elements to adjustment from budgetary basis to GAAP basis:
Recognition of unrealized loss on investments $ (217,049)

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

**CITY OF ISSAQUAH**
Proprietary Funds
Statement of Fund Net Position
December 31, 2021

| | Business-Type Activities | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Water | Sewer | Stormwater | Total Enterprise Funds | Internal Service Funds |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and investments | $ 20,199,465 | $ 12,876,503 | $ 11,837,194 | $ 44,913,162 | $ 14,060,631 |
| Receivables (net) | 1,519,863 | 1,587,433 | 1,213,202 | 4,320,498 | 34,664 |
| Due from other governments | 8,987 | - | 35,485 | 44,472 | - |
| Advances to other funds | - | 183,840 | - | 183,840 | - |
| Prepaid expenses | - | - | 8,494 | 8,494 | 228,958 |
| Inventory | 594,521 | 14,180 | 35,995 | 644,696 | 273,343 |
| **Total current assets** | 22,322,836 | 14,661,956 | 13,130,370 | 50,115,162 | 14,597,596 |
| Noncurrent assets: | | | | | |
| Net pension asset | 1,046,588 | 363,847 | 1,118,234 | 2,528,669 | 904,701 |
| Nondepreciable capital assets | 17,452,034 | 1,839,022 | 8,718,740 | 28,009,796 | 1,260,643 |
| Depreciable property, plant and equipment (net) | 43,353,986 | 12,237,433 | 35,123,844 | 90,715,263 | 3,870,177 |
| **Total non-current assets** | 61,852,608 | 14,440,302 | 44,960,818 | 121,253,728 | 6,035,521 |
| **Total assets** | 84,175,444 | 29,102,258 | 58,091,188 | 171,368,890 | 20,633,117 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Amounts related to pensions | 148,218 | 51,528 | 158,365 | 358,111 | 128,124 |
| Amounts related to AROs | 164,412 | - | 315,568 | 479,980 | - |
| **Total deferred outflows of resources** | 312,630 | 51,528 | 473,933 | 838,091 | 128,124 |
| **LIABILITIES** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and other accrued liabilities | 1,670,988 | 137,581 | 242,035 | 2,050,604 | 691,725 |
| Due to other goverments | 100,815 | 137 | 9,641 | 110,593 | 17,966 |
| Compensated absences | 70,243 | 24,390 | 75,055 | 169,688 | 60,641 |
| Claims payable | - | - | - | - | 236,000 |
| **Total current liabilities** | 1,842,046 | 162,108 | 326,731 | 2,330,885 | 1,006,332 |
| Noncurrent liabilities: | | | | | |
| Loans payable to other governments | 3,293,062 | - | - | 3,293,062 | - |
| Compensated absences | 158,703 | 55,106 | 169,575 | 383,384 | 137,008 |
| Asset retirement obligations | 167,993 | - | 330,000 | 497,993 | - |
| Net pension liability | 104,146 | 36,207 | 111,276 | 251,629 | 90,027 |
| Total long-term liabilities | 3,723,904 | 91,313 | 610,851 | 4,426,068 | 227,035 |
| **Total liabilities** | 5,565,950 | 253,421 | 937,582 | 6,756,953 | 1,233,367 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Amounts related to pensions | 1,139,008 | 395,977 | 1,216,980 | 2,751,965 | 984,592 |
| **Total deferred inflows of resources** | 1,139,008 | 395,977 | 1,216,980 | 2,751,965 | 984,592 |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 57,448,590 | 14,076,455 | 43,828,499 | 115,353,544 | 5,116,852 |
| Restricted for capital projects | - | - | 78,049 | 78,049 | - |
| Restricted for pension | 145,188 | 50,474 | 155,127 | 350,789 | 125,504 |
| Unrestricted | 20,189,338 | 14,377,459 | 12,348,884 | 46,915,680 | 13,300,926 |
| **Total net position** | $ 77,783,116 | $ 28,504,388 | $ 56,410,559 | $ 162,698,063 | $ 18,543,282 |

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

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

| | Business-Type Activities | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Water | Sewer | Stormwater | Total Enterprise Funds | Internal Service Funds |
| **OPERATING REVENUES** | | | | | |
| Charge for services | $ 12,420,664 | $ 11,852,701 | $ 5,781,713 | $ 30,055,078 | $ 12,584,061 |
| Miscellaneous | 343,496 | - | - | 343,496 | 175,824 |
| Total Operating revenues | 12,764,160 | 11,852,701 | 5,781,713 | 30,398,574 | 12,759,885 |
| **OPERATING EXPENSES** | | | | | |
| Personnel expenses | 2,103,028 | 485,919 | 1,619,613 | 4,208,560 | 1,874,064 |
| Tools and supplies | 784,254 | - | 19,761 | 804,015 | 1,758,561 |
| Professional services | 440,468 | 171,949 | 467,733 | 1,080,150 | 351,850 |
| Taxes | 1,218,930 | 405,373 | 264,494 | 1,888,797 | - |
| Repairs and maintenance | 255,240 | 12,228 | 129,117 | 396,585 | 91,781 |
| Purchased services | 1,720,719 | 8,014,563 | 25,733 | 9,761,015 | - |
| Utilities | 460,623 | 20,453 | 42,957 | 524,033 | 16,390 |
| Other operating expenses | 2,277,517 | 7,191 | 143,240 | 2,427,948 | 5,674,726 |
| Internal services | 918,442 | 512,054 | 790,716 | 2,221,212 | 16,085 |
| Depreciation and amortization | 2,097,346 | 801,868 | 1,914,299 | 4,813,513 | 728,522 |
| Total operating expenses | 12,276,567 | 10,431,598 | 5,417,663 | 28,125,828 | 10,511,979 |
| Operating income | 487,592 | 1,421,103 | 364,050 | 2,272,745 | 2,247,906 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Interest earnings | 239,523 | 238,347 | 69,535 | 547,405 | 48,340 |
| Intergovernmental revenues | 36,353 | 5,319 | 240,467 | 282,139 | 422 |
| Interest and fiscal charges | (89,302) | - | - | (89,302) | - |
| Gain on disposal of assets | - | - | - | - | 102,336 |
| Unrealized investment loss | (340,938) | (343,368) | (152,862) | (837,168) | (111,718) |
| Other nonoperating revenues | 502,098 | 1,294 | 5,177 | 508,569 | 44,560 |
| Total nonoperating revenues (expenses) | 347,735 | (98,408) | 162,317 | 411,644 | 83,940 |
| Income before contributions, transfers and special Items | 835,328 | 1,322,695 | 526,367 | 2,684,390 | 2,331,846 |
| Capital contributions | 3,641,951 | 512,315 | 3,238,264 | 7,392,530 | - |
| Transfers in | 48,600 | - | - | 48,600 | 866,375 |
| Transfers out | (61,143) | (17,741) | (138,459) | (217,343) | - |
| Increase in net position | 4,464,736 | 1,817,269 | 3,626,172 | 9,908,177 | 3,198,221 |
| Total Net Position at Beginning of Year | 73,318,380 | 26,687,119 | 52,784,387 | 152,789,886 | 15,345,061 |
| Total Net Position at End of Year | $ 77,783,116 | $ 28,504,388 | $ 56,410,559 | $ 162,698,063 | $ 18,543,282 |

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

**CITY OF ISSAQUAH**
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2021

| | Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Water | Sewer | Storm Water | Total | Internal Service Funds |
| **Cash Flows from Operating Activities:** | | | | | |
| Receipts from customers | $ 12,354,829 | $ 11,576,386 | $ 5,630,762 | $ 29,561,977 | $ 12,942,323 |
| Payments to suppliers | (6,435,642) | (8,603,918) | (1,153,226) | (16,192,786) | (7,883,715) |
| Payments to employees | (2,817,219) | (654,298) | (2,208,268) | (5,679,785) | (2,317,531) |
| Cash payments for interfund services | (918,442) | (512,054) | (790,716) | (2,221,212) | (91,112) |
| Net cash provided by operating activities | 2,183,525 | 1,806,116 | 1,478,552 | 5,468,193 | 2,649,965 |
| **Cash Flows from Noncapital Financing Activities:** | | | | | |
| Transfers - in | 48,600 | - | - | 48,600 | 894,051 |
| Transfers - out | (61,143) | (17,741) | (138,459) | (217,343) | (27,676) |
| Payments received from interfund advances | - | 60,000 | - | 60,000 | 422 |
| Operating grants and nonoperating revenue received | 523,108 | 7,487 | 135,580 | 666,175 | 44,560 |
| Net cash provided (used) by noncapital financing activities | 510,565 | 49,746 | (2,879) | 557,432 | 911,357 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | |
| Receipts from capital contributions | 3,051,489 | 359,887 | 157,111 | 3,568,487 | - |
| Proceeds from loans | 3,293,062 | - | - | 3,293,062 | - |
| Acquisition and construction of capital assets | (6,015,327) | (604,678) | (281,136) | (6,901,141) | (1,834,170) |
| Proceeds from disposal of capital assets | - | - | - | - | 107,684 |
| Principal paid on debt | (610,000) | - | - | (610,000) | - |
| Interest paid on debt | (91,335) | - | - | (91,335) | - |
| Net cash used for capital and related financing activities | (372,111) | (244,791) | (124,025) | (740,927) | (1,726,486) |
| **Cash Flows from Investing Activities:** | | | | | |
| Net loss from investments | (101,415) | (105,021) | (83,327) | (289,763) | (63,378) |
| Net cash used by investing activities | (101,415) | (105,021) | (83,327) | (289,763) | (63,378) |
| Net increase in cash and cash equivalents | 2,220,566 | 1,506,050 | 1,268,321 | 4,994,937 | 1,771,458 |
| Cash and Cash Equivalents at Beginning of Year | 17,978,899 | 11,370,453 | 10,568,873 | 39,918,225 | 12,289,173 |
| Cash and Cash Equivalents at End of Year | $ 20,199,465 | $ 12,876,503 | $ 11,837,194 | $ 44,913,162 | $ 14,060,631 |

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

CITY OF ISSAQUAH
Proprietary Funds
Statement of Cash Flows (continued)
For the Year Ended December 31, 2021

| | Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Water | Sewer | Storm Water | Total | Internal Service Funds |
| **Reconciliation of Operating Income to Net Cash:** | | | | | |
| Cash Provided by Operating Activities: | | | | | |
| Net operating income | $ 487,592 | $ 1,421,103 | $ 364,050 | $ 2,272,745 | $ 2,247,906 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | | | | |
| Depreciation expense | 2,097,346 | 801,868 | 1,914,299 | 4,813,513 | 728,522 |
| Increase in account receivable | (409,331) | (276,315) | (150,951) | (836,597) | (4,767) |
| Decrease (increase) in inventory | (111,295) | 476 | 6,781 | (104,038) | (20,978) |
| Increase in prepaid expense | - | - | (8,494) | (8,494) | (117,030) |
| Increase (decrease) in accounts payable | 730,772 | 27,226 | (75,686) | 682,312 | 259,113 |
| Increase in due to other governments | 100,815 | 137 | 9,641 | 110,593 | 17,966 |
| Increase (decrease) in compensated absences | (52,484) | 6,360 | (5,351) | (51,475) | 4,569 |
| Increase in net pension asset | (674,025) | (170,918) | (589,993) | (1,434,936) | (453,804) |
| Decrease in claims payable | - | - | - | - | (17,300) |
| Increase in asset retirement obligations | 1,817 | - | 7,567 | 9,384 | - |
| Increase (decrease) in accrued liabilities | 12,318 | (3,821) | 6,689 | 15,186 | 5,768 |
| | 1,695,933 | 385,013 | 1,114,502 | 3,195,448 | 402,059 |
| Net Cash Provided by Operating Activities | $ 2,183,525 | $ 1,806,116 | $ 1,478,552 | $ 5,468,193 | $ 2,649,965 |
| **Noncash Transactions** | | | | | |
| Change in Fair Value of Investments | $ (340,938) | $ (343,368) | $ (152,862) | $ (837,168) | $ (111,718) |
| Donated Capital Assets | $ 619,895 | $ 152,428 | $ 3,163,957 | $ 3,936,280 | $ - |

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

# CITY OF ISSAQUAH
## Statement of Fiduciary Net Position
### December 31, 2021

| | | Custodial Funds |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ | 32,478 |
| Taxes and other receivables for other governments | | 13,200 |
| Total Assets | | 45,679 |
| | | |
| Liabilities: | | |
| Accounts payable | | 24,641 |
| Due to other governments, organizations and individuals | | 21,038 |
| Total Liabilities | | 45,679 |
| | | |
| Net Position: | | |
| Restricted for individuals and other governments | | - |
| Total Net Position | $ | - |

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

## Statement of Change in Fiduciary Net Position
## For the Year Ended December 31, 2021

| | | Custodial Funds |
|---|---|---|
| Additions | | |
| Tax and fee collections for other governments | $ | 2,260,047 |
| Total Additions | | 2,260,047 |
| | | |
| Deductions | | |
| Payments of tax and fees to other governments | | 2,260,047 |
| Total Deductions | | 2,260,047 |
| | | |
| Net Change in Fiduciary Net Position | | - |
| Net Position - Beginning | | - |
| Net Position - Ending | $ | - |

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

## City of Issaquah
## Notes to the Financial Statements
## December 31, 2021

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Issaquah have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below:

#### A. REPORTING ENTITY

The City of Issaquah (the City) is a municipal government incorporated on April 27, 1892 and operates under the laws of the State of Washington as a non-charter code city with a Mayor-Council form of government. A full- time Mayor and seven part-time Council members serve the City, all elected at large to four-year terms. The City provides a full range of municipal services authorized by state statutes, together with a Water Utility, a Sewer Utility and a Stormwater Utility.

As required by GAAP, the City's financial statements present the City – the primary government. The City has no component units (either blended or discretely presented) included in these financial statements.

#### B. BASIS OF PRESENTATION - 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 non-fiduciary activities of the primary government. 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 allocate indirect costs (primarily through internal service funds) to a specific function or segment. 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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from these statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water utility and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues for these functions.

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

The fund financial statements provide information about the government's funds, including its fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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. For reporting purposes, the general fund also includes the communications fund, the contingency fund, the sustainability fund, and Ruth Kees Award Fund, which are considered managerial funds.

The *mitigation capital fund* is a capital project fund that accounts for impact fees received.

The *capital project fund* accounts for the acquisition or development of capital facilities for governmental activities. Their major sources of funds are proceeds from general obligation bonds, grants from other agencies, and contributions from other funds. The capital projects fund includes capital activities for facilities projects, street projects, centralized ITS projects, park projects, and fire projects.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations, capital improvement and debt service activity of the government's water operations.

The *sewer fund* accounts for the operations and capital improvement activity of the government's sewer operations.

The *stormwater fund* accounts for the operations and capital improvement activity of the government's stormwater operations.

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

*Special revenue funds* account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt service funds* are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations related to governmental activities.

*REET (real estate excise tax) capital fund* accounts for accumulated taxes on the sale of real property, restricted by law to fund capital projects.

In addition, the City reports the following funds:

*Internal service funds* account for fleet management, self-insured medical insurance, unemployment, risk management services (including general liability and property damage), and information technology services provided to other departments or funds of the City on a cost reimbursement basis.

The *fiduciary fund* is limited to account for resources that are not available to support the City's operations and program. It consists of various custodial funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension, investment, and private-purpose trust funds.

Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented at the end of the statement which briefly explains the adjustments necessary to transform the fund statements into the government-wide presentation.

Internal service funds are presented in summary form as part of the proprietary fund financial statements. Financial statements for internal service funds are consolidated into the governmental activities column when presented at the government-wide level.

## C. MEASUREMENT FOCUS & BASIS OF ACCOUNTING

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* similar to the proprietary fund 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 recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 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.

Property, sales, business & occupation, franchise, utility, gambling, admissions, and real estate excise taxes, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measurable and available only when cash is received by the City.

The proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility funds and internal service funds are charges to external/internal customers for sales and services, such as, utility services, vehicle replacement, and insurance. The City also recognizes operating revenue for the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses include personnel expenses, tools and supplies, professional services, taxes, depreciation and amortization expenses, etc. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## D. BUDGET AND BUDGETARY ACCOUNTING

### 1. Scope of the Budget

Budgets are prepared in accordance with GAAP. The City budgets all funds in accordance with the Revised Code of Washington 35A.33. In compliance with the code, budgets for all funds are established except for custodial funds. Budgets established for proprietary funds are "management budgets" and, as such, are not required to be reported. The budget as adopted constitutes the legal authority for expenditures. It is adopted at the fund level so that expenditures may not legally exceed appropriations at that level of detail.

Budgetary accounts are integrated in fund ledgers for all budgeted funds.

Appropriations for general fund, special revenue funds, and capital project funds lapse at year-end.

2. **Amending the Budget**

Amendments to the final budget must be adopted by the City Council through an Ordinance, which is usually done mid-year and at year-end.

Transfers or revisions within budgeted funds are allowed; however, any revision which alters the total expenditures of a fund, or which affect the number of authorized employee positions or salary ranges must be approved by Ordinance of the City Council following public hearings.

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

The budgetary comparison schedule contains the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for this fiscal year.

E. **ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCES**

1. **Cash and Cash Equivalents**

The City pools cash resources of its various funds with the State Investment Pool to facilitate the management of cash. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. All short-term investments that are highly liquid are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase they have a maturity date no longer than three months.

The City's deposits are entirely covered by the Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Depository Protection Commission (PDPC).

As of December 31, 2021, the City's cash and cash equivalents included an accumulated A Regional Coalition of Housing (ARCH) housing trust fund cash balance, a portion of which, was previously reported as other assets in 2020.

2. **Investments**

It is the City's policy to invest all temporary cash surplus that exceed amounts needed for City operations. As of December 31, 2021, the City was holding short-term deposits with the State Investment Pool. The Interest on these deposits is recorded to the general fund. (See Note 5)

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Local Government Investment Pool (LGIP). Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. See Note 5 for more details. The LGIP is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. **Receivables**

The City recognized receivables in its financial statements as follows:

> **Property Taxes.** Uncollected property taxes are reported as receivable at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected therefore, no allowance for uncollectible taxes is recorded. *(See Note 6)*

**Sales Taxes.** Taxes collected for November and December but not remitted by the state to the City until January and February of the following year are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

**Special Assessments.** Special assessments are recorded when levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.

**Accounts Receivable.** Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided, including amounts owned for which billings have not been prepared. Uncollectible amounts are considered immaterial.

4. **Amounts/Advances Due to and From Other Funds and Governments**

**Due to and from Other Funds.** Amounts due from other funds reported in the financial statements represent outstanding billings to other funds for services provided in the current year while due to other funds represents outstanding payables to other funds.

**Advances Due to and from Other Funds.** The Finance Director may authorize loans between funds. A separate schedule of Advances to and from other funds is reported in Note 11.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Due to and from Other Governments.** Amounts due from other governments represent outstanding balances due from granting agencies for cost-reimbursement grants and billings to other jurisdictions for intergovernmental services provided in the current year.

5. **Inventories**

Inventories consist of expendable supplies and vehicle repair parts held for consumption and are valued at cost using the FIFO (first in, first out) method (which approximates the market value). The cost is recorded as expenditures at the time individual inventory items are consumed rather than purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

6. **Prepaid Items**

Payments made in advance to vendors for certain goods or services that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The expenditures/expenses are recognized in the period of consumption or occupancy. Prepaids recorded in governmental funds do not reflect current appropriated resources and, as such, are reported as non- spendable fund balance.

7. **Restricted Assets and Liabilities**

Restricted cash and investments are described in *Note 5 Deposits and Investments*.

8. **Capital Assets**

Capital assets, which include property, plant, equipment, software, other improvements, and infrastructure assets, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, capital improvements, machinery and equipment, and other improvements with an original cost of $5,000 or more each and an estimated useful life of more than one year; and all vehicles, artwork, transportation and utility infrastructure, regardless of their initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land, construction in progress, and works of art are not depreciated.

| Asset Class | Estimated Service Life |
|---|---|
| Buildings | 30-50 years |
| Plant in Service | 30-40 years |
| Improvements Other Than Buildings and Infrastructure | 15-60 years |
| Equipment | 3-20 years |

Additional information on capital assets is provided in *Note 7.*

**9. Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. There are three items that qualify for reporting in this category. They are the deferred charge on debt refunding, deferred outflow of resources for pensions and OPEB, and deferred outflows of resources related to asset retirement obligations (AROs). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions and OPEB result from contributions subsequent to the measurement date, difference between projected and actual investment earnings, difference between expected and actual experience, changes in actuarial assumptions, and changes in proportions. The deferred outflows of resources are recognized when an ARO is measured and recognized.

In addition to liabilities, the financial statements sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are two items that qualify for reporting in this category. Deferred inflows of resources related to receivables are used to offset property tax and grant revenues to be received in future periods. Deferred inflows of resources related to pensions represent differences between expected and actual experience, net difference between projected and actual investment earnings, changes of assumptions, and changes in proportionate share.

Additional information on pension plans is provided in Note 8. Additional information on OPEB plans is provided in Note 9.

**10. Fund Balance Classification**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made the in order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The restricted net position for pension in the government-wide and proprietary fund financial statements is equal to the net pension asset, minus the deferred inflows, plus the deferred outflows. Only the deferred inflows and deferred outflows for the pension plans that have a net pension asset were included.

Fund balance represents the difference between current assets, deferred outflows, current liabilities, and deferred inflows in the governmental fund financial statements. Fund balance classifications comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Fund balances are classified as follows:

**Non-spendable Fund Balance** - Items that cannot be spent due to form; prepaid amounts, inventories, or amounts that must be maintained intact legally.

**Restricted Fund Balance** - Amounts constrained for specific purposes by external parties (such as grantors, bondholders and higher levels of government), constitutional provisions, or enabling legislation.

**Committed Fund Balance** - Amounts which are constrained by the City Council. Only the City Council can, by ordinance, establish, modify, or rescind the constraints on committed fund balances.

**Assigned Fund Balance** - Amounts which are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**Unassigned Fund Balance** - Any residual portion of general fund balance that does not meet any of the criteria described above. Deficit fund balances in governmental funds are reported as unassigned.

If more than one classification of fund balance is available for use when an expenditure is incurred, the City would typically use the most restrictive classification first before using any of the components of unrestricted fund balance (the total of committed, assigned, and unassigned fund balance).

**11. Reclassification of Governmental Funds**

The City implemented a new chart of accounts in fiscal year 2021, which resulted in a change in accounting policy for fiscal year 2021 financial reporting for the governmental funds. In the new chart of accounts, multiple debt service funds and capital projects funds previously accounted for as separate funds were combined into one debt service fund and one capital project fund, respectively. The debt service funds combined into one debt service fund were the Debt Service Fund Voted, Debt Service Fund Non-Voted, LID No. 23, LID No. 24, and the LID Guaranty Fund. The capital project funds combined into one capital fund were the Municipal Facilities Capital Fund, Centralized ITS Fund, Fire Capital Fund, Street Capital Fund, and Parks Capital Fund. In addition, the Sustainability Fund which was previously reported as a non-major special revenue fund was combined into the general fund for financial reporting purposes. As a result, beginning fund balances for these funds are not reported in the same fund balance totals as they were in 2020 and prior period adjustments were recorded as needed.

## 12. Pension and Postemployment Benefits Other than Pension (OPEB)

For purposes of measuring the total pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expenses, information about the fiduciary net position of all state sponsored pension plans, OPEB plan, 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.

## 13. Compensated Absences

Vacation – The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from city service. Eligible employees accumulate 12 to 28 days of vacation for each anniversary year, depending upon the employee's length of service, but they may not accumulate more than two-year's vacation.

Compensatory time –Non-exempt employees may receive compensatory time off not to exceed the 240-hour maximum stipulated by the Fair Labor Standard Act ("FLSA") or collective bargaining agreements. FLSA exempt employees are not eligible to earn compensatory time. Balances previously earned by these employees under $5,000 were paid in full at the end of 2021. Fifty percent of balances previously earned by these employees of more than $5,000 were eligible to carryforward to 2022 and will be paid in full at the end of that year. Any balances that remain when the employees separate from the City will be cashed out at the employee's hourly rate on their final paychecks.

Sick leave – Eligible employees accumulate sick leave at the rate of 8 to 12 days per year. The maximum number of hours employees may accrue is 1,280 hours. However, some labor contracts allow employees to convert a portion of unused sick leave earned in a calendar year to pay or vacation.

Holiday time – Eligible employees accrue holiday hours on July 1st of each year for either 40 or 48 hours and December 16th of each year for 48 hours. Any accrued amount remaining as of December 15th is not allowed to be carried forward and is cashed out in the last pay period of the year. Upon termination, any accrued holiday time is paid out or deducted on an earned basis.

The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

## 14. Unearned Revenue

Unearned revenue is a liability for resources obtained, that do not qualify for recognition as revenue and therefore are not yet considered to be available. Unearned revenues presented in this manner on the accompanying financial statements include an interlocal cooperation agreement between King County and the City for construction of a park-and-ride facility in the capital projects fund and various park facilities rental deposits.

## 15. Long-term Obligations

Long-term obligations are described in Note 12.

## 16. Revenue, Expenditures and Expenses

**Program Revenues.** Amounts reported as program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

**General Revenues.** All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues. In governmental funds, amounts reported as general revenues include taxes, interest and investment earnings. In the governmental funds' statements debt proceeds are shown as other financing sources.

**Transfers.** Permanent reallocation of resources between funds of the City is classified as interfund transfers. For purposes of the government-wide statements all interfund transfers between individual governmental funds have been eliminated.

**Expenditures/Expenses.** Expenses in the governmental activities are reported by function or as interest on long-term debt. Expenditures in the governmental fund statements are reported by function or department.

### 17. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. The City used significant estimates in determining reported unearned revenue, asset life, claims payable, employee benefits, post- employment benefits, and other contingencies. Actual results may differ from those estimates.

## F. ACCOUNTING STANDARDS

GASB Statement No. 87, *Leases*. This new GASB statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. It is effective for reporting periods beginning after December 15, 2019. The City has adopted GASB No. 95 to postpone the implementation of GASB No. 87 by 18 months. The City is currently evaluating the impact of this new GASB statement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This new GASB statement establishes accounting requirements for interest cost incurred before the end of a construction period. It is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The City has adopted this statement as of December 31, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*. This new GASB statement defines conduit debt obligations and requires issuers to disclose information about the conduit debt obligations organized by type of commitment and improve comparability by removing the diversity in current practice. This statement also includes note disclosures that help inform users of the potential impact of commitments on financial resources. It is effective for reporting beginning after December 15, 2020. The City has adopted GASB No. 95 to postpone the implementation of GASB No. 91 and is currently evaluating the impact of this new GASB statement.

GASB Statement No. 92, *Omnibus 2020*. This new GASB statement addresses a variety of topics, including the effective date of GASB 87, Leases, and the related Implementation Guide No. 2019-3, Leases for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or OPEB plan; amending GASB 73 and GASB 74 to report assets accumulated for OPEB; the applicability of certain requirements of GASB 84 to OPEB arrangements; measurement of liabilities and assets related to asset retirement obligations in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, etc. This GASB is effective for reporting periods beginning after June 15, 2020 except for the requirements related to leases, which are effective upon issuance. The City has adopted GASB No. 95 to postpone the implementation of GASB No. 92 and is currently evaluating the impact of this new GASB statement.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement removes the interbank offered rate (IBOR) as an appropriate benchmark interest rate and identifies a Security Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. The removal of LIBOR is effective for reporting periods ending after

December 31, 2020. All other requirements are effective for reporting periods beginning after June 15, 2020. The City has adopted GASB No. 95 to postpone the implementation of GASB No. 93 and is currently evaluating the impact of this new GASB statement.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. This statement provides guidance to account for PPPs and APAs. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. The City is currently evaluating the impact of this new GASB statement.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement postpones the newly issued GASB Statements No. 83, 84, 88, 89, 90, 91, 92 and 93 by one year. In addition, this statement postpones GASB Statement No. 87 by 18 months. This new GASB was issued in May 2020 and is effective immediately. The City adopted this GASB in 2020 to postpone the GASB Statements No. 89, 91, 92 and 93 by one year and postpone the GASB Statement No. 87 by 18 months.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. . This new GASB was issued in May 2020 and is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The City is currently evaluating the impact of this new GASB statement.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No.32. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. The requirements of this statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement. The City is currently evaluating the impact of this new GASB statement.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The City implemented this statement as of December 31, 2021.

## NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental funds balance sheet includes a 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 that "Items related to pension activity that are not financial resources therefore, not reported in the funds." The details of this difference are as follows:

| | | |
|---|---|---|
| Net pension asset | $ | 17,444,277 |
| Deferred outflows related to pensions | | 2,163,814 |
| Net pension liability | | (1,056,279) |
| Deferred inflows related to pensions | | (15,157,945) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities* | $ | 3,393,867 |

Similarly, another element of the reconciliation explains that "Items related to OPEB activity that are not financial resources therefore, not reported in the funds." The details of this difference are as follows:

| | | |
|---|---|---|
| Deferred outflows related to OPEB | $ | 63,325 |
| Total OPEB liability | | (2,431,155) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities* | $ | (2,367,830) |

Another element of the reconciliation explains that "Long-term liabilities of resources that are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

| | | |
|---|---|---|
| Bonds payable | $ | (25,860,035) |
| Special assessment bonds | | (50,000) |
| Accrued interest payable | | (55,985) |
| Due to other governments | | (350,000) |
| Compensated absences | | (2,321,487) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities* | $ | (28,637,507) |

## B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

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

| | | |
|---|---|---|
| Capital outlay | $ | 7,113,771 |
| Donated capital assets | | 9,483 |
| Depreciation expenses | | (10,082,336) |
| Net adjustment to reduce *net changes in fund balances - total governmental funds* to arrive at changes in *net position of governmental activities* | $ | (2,959,082) |

An element of the reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds". The details of this difference are as follows:

| | | |
|---|---|---|
| Property taxes | $ | 25,980 |
| Other taxes and assessments | | (84,873) |
| Grants and contributions | | (88,446) |
| Changes for services | | 1,765 |
| Net adjustment to reduce *net changes in fund balances - total governmental funds* to arrive at changes in *net position of governmental activities* | $ | (145,574) |

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are capitalized and amortized in the statement of activities." The details of this difference are as follows:

| | | |
|---|---|---|
| Principal repayment | $ | 3,128,507 |
| Accrued interest | | 7,065 |
| Net adjustment to reduce *net changes in fund balances - total governmental funds* to arrive at changes in *net position of governmental activities* | $ | 3,135,572 |

## NOTE 3: FUND BALANCES

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below for the year ended December 31, 2021.

| | General Fund | Mitigation Capital Fund | Capital Projects Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Inventory | $ - | $ - | $ - | $ 432,462 | $ 432,462 |
| Prepaid | 6,513 | - | - | - | 6,513 |
| Undivided interest | 258,031 | - | - | - | 258,031 |
| Total | 264,544 | - | - | 432,462 | 697,006 |
| Restricted | | | | | |
| Debt service | - | - | - | 1,462,035 | 1,462,035 |
| Tourism | - | - | - | 284,180 | 284,180 |
| Housing | 2,389,787 | - | - | - | 2,389,787 |
| Capital projects | - | 15,604,357 | 20,373,821 | 8,066,753 | 44,044,931 |
| Other purpose | 28,348 | - | - | - | 28,348 |
| Total | 2,418,135 | 15,604,357 | 20,373,821 | 9,812,968 | 48,209,281 |
| Committed | | | | | |
| Street operations | - | - | - | 879,076 | 879,076 |
| Cemetery maintenance | - | - | - | 685,989 | 685,989 |
| Sustainability | 1,112,146 | - | - | - | 1,112,146 |
| Public safety | - | - | - | 1,359,852 | 1,359,852 |
| Art programs | - | - | - | 308,954 | 308,954 |
| Total | 1,112,146 | - | - | 3,233,871 | 4,346,017 |
| Assigned | | | | | |
| Communications | 472,854 | - | - | - | 472,854 |
| Total | 472,854 | - | - | - | 472,854 |
| Unassigned | 24,829,439 | - | - | - | 24,829,439 |
| Total Fund Balances | $ 29,097,118 | $ 15,604,357 | $ 20,373,821 | $ 13,479,301 | $ 78,554,597 |

The City of Issaquah's Financial Management Policy includes a general fund unassigned fund balance target level of 15 to 20 percent of expenditures of the general fund and any use of unassigned fund balance below fifteen percent of operating expenditures requires City Council authorization.

## NOTE 4: COMPLIANCE AND ACCOUNTABILITY

The City has complied with finance-related legal or contractual provisions, and expenditures are within budget appropriations for most of the City funds. The City may over expend appropriations in those instances where no specific limit is identified. In these cases, transactions that have been appropriately authorized are considered to be eligible for payment and revenue is available to pay for the service.

## NOTE 5: DEPOSITS AND INVESTMENTS

Cash consists of cash on hand and investments in the State of Washington Local Governmental Investment Pool. Investments consist of U.S. government agency securities. Cash and investments as of December 31, 2021 are summarized below:

| | | |
|---|---|---|
| Cash | $ | 74,917,412 |
| Investments | | 62,998,622 |
| Total government-wide cash and investments | $ | 137,916,034 |
| | | |
| Fiduciary- restricted cash | $ | 32,478 |
| Total fiduciary restricted cash and investments | $ | 32,478 |

**Deposits with Financial Institutions**

The City maintains deposit relationships with financial institutions. The carrying amount of deposits as of December 31, 2021 was $61,184,399.

Custodial credit risk for deposits is the risk, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

The Federal Deposit Insurance Corporation (FDIC) covers the City's insured deposits and the Washington Public Deposit Protection Commission (PDPC) provides collateral protection. State law restricts deposit of funds in financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by PDPC.

**LGIP**

The City is a participant in the State of Washington Local Government Investment Pool (LGIP) authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB 79 for external investment pools that elected to measure, for financial reporting purposes, investments at amortized costs. As of December 31, 2021, the amount of the LGIP was $ 13,505,734 at amortized costs.

The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligation of supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositories.

Custodial credit risk is the risk that, in the event, a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. Investments held as deposits in financial institutions are insured by the Federal Deposit Insurance Corporation and/or collateralized. Collateral protection is administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC, created by the Legislature per Chapter 39.58 of the Revised Code of

Washington, constitutes a multiple financial institution collateral pool comprised of securities pledged to secure uninsured public deposits. Pledged securities are held by the PDPC's agent in the name of the collateral pool. The LGIP investment policy requires that the 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. The 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 market value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities to any one issuer, with the exception of U.S. Treasury and U.S. Agency securities, to no more than five percent of the portfolio. Repurchase agreements comprise 6.3 percent of the total portfolio. The LGIP limits the securities utilized in repurchase agreements to U.S. Treasury and U.S. Agency securities. The LGIP requires delivery of all securities and that the securities are priced daily. At the LGIP's fiscal year ended June 30, 2021, U.S. Treasury securities comprised 66.3 percent of the total LGIP's portfolio. U.S. Agency securities comprised 16.6 percent, including Federal Home Loan Bank (6.9 percent), Federal Farm Credit Bank (8.7 percent), and Federal National Mortgage Association (1.0 percent). Supranational securities comprised 1.7 percent of the total portfolio, including International Bank for Reconstruction and Development (1.6 percent), and Inter-American Development Bank (0.1 percent).

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity (WAM) and weighted average life (WAL) limits not to exceed 60 and 120 days, respectively.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

**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: Price quoted in active markets for identical securities.
Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other quoted prices that are not observable.
Level 3: Unobservable inputs for an asset or liability.

The fair value of the investments was provided by the City's investment custodian, US Bank. As of December 31, 2021, the City had the following recurring fair value measurement of investments:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| Investment Type | Fair value | Level 1 | Level 2 | Level 3 |
| U.S. government agency securities | $ 62,998,622 | $ 62,998,622 | $ - | $ - |
| Totals | $ 62,998,622 | $ 62,998,622 | $ - | $ - |

*Interest Rate Risk.* As a means of limiting the exposure to interest rate risk, the City diversifies its investments and coordinates investment maturities to closely match cash flow needs.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments to accomplish safety, one of its primary investment objectives.

The table below identifies investments for each issuer, the concentration, and maturities of the City's investment portfolio, including LGIP, as of December 31, 2021:

| | | Maturity | | | |
|---|---|---|---|---|---|
| Issuer | Balance | Less than 1 Year | 1 to 5 Years | Greater than 5 Years | Percentage of Total Portfolio |
| Federal Farm Credit Banks | $ 19,195,174 | $ 4,033,998 | $ 15,161,176 | $ - | 25% |
| Federal National Mortgage Assn. | 1,948,500 | - | 1,948,500 | - | 2% |
| Federal Home Loan Banks | 11,921,173 | 1,011,595 | 10,909,578 | - | 16% |
| Federal Home Loan Mortgage Corp. | 8,651,791 | 1,501,145 | 7,150,646 | - | 11% |
| US Treasury Strip | 9,281,175 | - | 9,281,175 | - | 12% |
| US Treasury Notes | 10,032,095 | - | 10,032,095 | - | 13% |
| Farmer Mac | 1,968,714 | - | 1,968,714 | - | 3% |
| Subtotal | 62,998,622 | 6,546,738 | 56,451,885 | - | 82% |
| LGIP | 13,505,734 | 13,505,734 | - | - | 18% |
| Totals | $ 76,504,356 | $ 20,052,472 | $ 56,451,885 | $ - | 100% |
| Percentage of Total Portfolio | | 26% | 74% | 0% | |

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The table below identifies the credit risk of the City's investment portfolio as of December 31, 2021:

| | | Ratings | |
|---|---|---|---|
| Issuer | Fair Value | S&P | Moody's |
| Federal Farm Credit Banks | $ 19,195,174 | AA+ | AAA |
| Federal National Mortgage Assn. | 1,948,500 | AA+ | AAA |
| Federal Home Loan Banks | 11,921,173 | AA+ | AAA |
| Federal Home Loan Mortgage Corp. | 8,651,791 | AA+/Unrated | AAA/Unrated |
| US Treasury Strip | 9,281,175 | AA+/Unrated | AAA |
| US Treasury Notes | 10,032,095 | Unrated | AAA |
| Farmer Mac | 1,968,714 | Unrated | Unrated |
| Subtotal | $ 62,998,622 | | |

## NOTE 6: RECEIVABLES

The City had the following receivable balances, including due from other governments as of December 31, 2021:

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Taxes | $ 7,199,738 | $ - | $ 7,199,738 |
| Customer accounts | 787,826 | 4,256,479 | 5,044,305 |
| Interest | 78,058 | 64,019 | 142,077 |
| Special assessment | 317,055 | - | 317,055 |
| Current receivables | 8,382,677 | 4,320,498 | 12,703,175 |
| Intergovernmental | 3,381,436 | 44,472 | 3,425,908 |
| Total receivables | $ 11,764,113 | $ 4,364,970 | $ 16,129,083 |

## PROPERTY TAXES

The King County Treasurer acts as an agent to collect property tax levied in the County for all taxing authorities. Collections are distributed after the end of the month.

| | PROPERTY TAX CALENDAR |
|---|---|
| January 1 | Taxes are levied and become enforceable lien against properties. |
| April 30 | First of two equal installment payments is due. |
| May 31 | Assessed value of property is established for next year's levy at 100% of market value. |
| October 31 | Second installment is due. |

During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

Under State law, the City may levy up to $3.375 per $1,000 of assessed valuation for general governmental services, subject to two limitations.

1. Chapter 84.55 of the State RCW as amended limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and

2. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation, or $10 per $1,000 of assessed value. If the combined taxes of all districts exceed this amount, each levy is proportionately reduced until the total is at or below the 1% limit.

Special levies approved by the voters are not subject to the above limitations.

The City's regular levy for 2021 was $0.80594 per $1,000 of assessed valuation of $12,175,663,201 for a total regular levy of $9,812,854. Additionally, special levies for voter-approved General Obligation Bonds were $0.14487 per $1,000 for an excess levy of $1,758,188.

## NOTE 7: CAPITAL ASSETS

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

| | Beginning Balance (Restated) 1/1/2021 | Increases | Decreases | Ending Balance 12/31/2021 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 343,590,476 | $ 1,499 | $ - | $ 343,591,975 |
| Construction in progress | 8,626,850 | 7,521,140 | - | 16,147,990 |
| Art | 481,243 | 9,000 | - | 490,243 |
| Total capital assets, not being depreciated | 352,698,569 | 7,531,639 | - | 360,230,208 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 47,735,510 | - | - | 47,735,510 |
| Improvements other than buildings | 27,624,754 | 68,599 | - | 27,693,353 |
| Infrastructure | 294,051,380 | 8,175 | - | 294,059,555 |
| Intangible property | 1,216,323 | - | - | 1,216,323 |
| Machinery and equipment | 16,639,419 | 1,263,958 | (286,578) | 17,616,799 |
| Total capital assets, being depreciated/amortized | 387,267,386 | 1,340,732 | (286,578) | 388,321,540 |
| Accumulated depreciation/amortization for: | | | | |
| Buildings | (19,116,639) | (947,560) | - | (20,064,199) |
| Improvements other than buildings | (6,957,545) | (1,056,237) | - | (8,013,782) |
| Infrastructure | (154,810,802) | (7,823,672) | - | (162,634,474) |
| Intangible property | (1,072,277) | (28,984) | - | (1,101,261) |
| Machinery and equipment | (12,135,881) | (887,011) | 281,229 | (12,741,663) |
| Total accumulated depreciation/amortization | (194,093,144) | (10,743,464) | 281,229 | (204,555,379) |
| Total capital assets, being depreciated, net | 193,174,242 | (9,402,732) | (5,349) | 183,766,161 |
| Governmental activities capital assets, net | $ 545,872,811 | $ (1,871,093) | $ (5,349) | $ 543,996,369 |

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

| | |
|---|---|
| General government | $ 261,276 |
| Public safety | 521,375 |
| Transportaion | 7,686,024 |
| Natural and economic environment | 243,217 |
| Culture and recreation | 1,354,409 |
| Internal service funds | 677,163 |
| Total depreciation expense | $ 10,743,464 |

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

| | Beginning Balance (Restated) 1/1/2021 | Increases | Decreases | Ending Balance 12/31/2021 |
|---|---|---|---|---|
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 16,874,229 | $ 265,456 | $ - | $ 17,139,685 |
| Construction in progress | 5,316,246 | 6,206,873 | (653,008) | 10,870,111 |
| Total capital assets, not being depreciated | 22,190,475 | 6,472,329 | (653,008) | 28,009,796 |
| Capital assets, being depreciated/amortized: | | | | |
| Buildings | 9,685,340 | - | - | 9,685,340 |
| Plant in service | 153,950,950 | 4,589,055 | - | 158,540,005 |
| Intangible property | 363,514 | - | - | 363,514 |
| Machinery and equipment | 899,072 | 164,189 | - | 1,063,261 |
| Total capital assets, being depreciated/amortized | 164,898,876 | 4,753,244 | - | 169,652,120 |
| Accumulated depreciation/amortization for: | | | | |
| Buildings | (3,152,537) | (195,707) | - | (3,348,244) |
| Plant in service | (70,251,767) | (4,518,557) | - | (74,770,324) |
| Intangible property | (287,127) | (30,898) | - | (318,025) |
| Machinery and equipment | (441,297) | (58,967) | - | (500,264) |
| Total accumulated depreciation/amortization | (74,132,728) | (4,804,129) | - | (78,936,857) |
| Total capital assets, being depreciated, net | 90,766,148 | (50,885) | - | 90,715,263 |
| Business-type activities capital assets, net | $ 112,956,623 | $ 6,421,444 | $ (653,008) | $ 118,725,059 |

Depreciation expense was charged to business-type functions based on their usage of these assets as follows:

| | |
|---|---|
| Water | $ 2,095,529 |
| Sewer | 801,868 |
| Stormwater | 1,906,732 |
| Total depreciation expense | $ 4,804,129 |

In 2021, the City performed a capital assets review related to the re-implementation of the financial system, which resulted in net increases of $17,661 and $255,472 to the beginning balances of governmental activities and business-type activities capital assets, respectively. The review required the reclassification of a portion of construction in progress balances to certain depreciable capital assets.

## NOTE 8: PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

| Aggregate Pension Amounts – All Plans | |
|---|---|
| Pension liabilities | ($1,397,934) |
| Pension assets | $20,877,647 |
| Deferred outflows of resources | $2,650,049 |
| Deferred inflows of resources | ($18,894,502) |
| Pension expense/expenditures | ($5,123,535) |

**State Sponsored Pension Plans**

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

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

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

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

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

## Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| PERS Plan 1 | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January – June 2021 | | |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| **Total** | **12.97%** | **6.00%** |
| July – December 2021 | | |
| PERS Plan 1 | 10.07% | 6.00% |
| PERS Plan 1 UAAL | 3.71% | |
| Administrative Fee | 0.18% | |
| **Total** | **10.25%** | **6.00%** |

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

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

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

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

## Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| PERS Plan 2/3 | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer 2/3** | **Employee 2** |
| January – June 2021 | | |
| PERS Plan 2/3 | 7.92% | 7.90% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | Varies |
| **Total** | **12.97%** | **7.90%** |
| July – December 2021 | | |
| PERS Plan 2/3 | 6.36% | 6.36% |
| PERS Plan 1 UAAL | 3.71% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | Varies |
| **Total** | **10.25%** | **6.36%** |

The City of Issaquah's actual PERS plan contributions were $792,150 to PERS Plan 1 and $1,263,368 to PERS Plan 2/3 for the year ended December 31, 2021.

## Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, who meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 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. PSERS Plan 2 members are vested after completing five years of eligible service.

<u>Contributions</u>

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

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

| **PSERS Plan 2** | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January – June 2021 | | |
| PSERS Plan 2 | 7.20% | 7.20% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| **Total** | **12.25%** | **7.20%** |
| July – December 2021 | | |
| PSERS Plan 2 | 6.50% | 6.50% |
| PERS Plan 1 UAAL | 3.71% | |
| Administrative Fee | 0.18% | |
| **Total** | **10.39%** | **6.50%** |

The City of Issaquah's actual plan contributions were $51,182 to PSERS Plan 2 for the year ended December 31, 2021.

## Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. 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. LEOFF 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

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 I had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

### Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

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

| **LEOFF Plan 2** | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer** | **Employee** |
| **January – June 2021** | | |
| State and local governments | 5.15% | 8.59% |
| Administrative Fee | 0.18% | |
| **Total** | **5.33%** | **8.59%** |
| Ports and Universities | 8.59% | 8.59% |
| Administrative Fee | 0.18% | |
| **Total** | **8.77%** | **8.59%** |
| **July – December 2021** | | |
| State and local governments | 5.12% | 8.53% |
| Administrative Fee | 0.18% | |
| **Total** | **5.30%** | **8.53%** |
| Ports and Universities | 8.53% | 8.53% |
| Administrative Fee | 0.18% | |
| **Total** | **8.71%** | **8.53%** |

The City of Issaquah's actual contributions to the plan were $190,585 for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2021, the state contributed $78,170,320 to LEOFF Plan 2. The amount recognized by the City Issaquah as its proportionate share of this amount is $133,867.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.
Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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 their lifetime.

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

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

### Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|---|---|---|
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
| | **100%** | |

**Sensitivity of Net Pension Liability/(Asset)**

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

| | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
|---|---|---|---|
| PERS 1 | $2,381,460 | $1,397,934 | $540,199 |
| PERS 2/3 | (4,002,048) | (14,048,160) | (22,321,137) |
| PSERS 2 | (36,812) | (234,796) | (391,490) |
| LEOFF 1 | (493,672) | (548,364) | (595,681) |
| LEOFF 2 | (3,812,818) | (6,046,327) | (7,875,125) |

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the City of Issaquah reported $1,397,934 and $20,977,647 for its proportionate share of the net pension liabilities and net pension assets, respectively, as follows:

| | Liability (or Asset) |
|---|---|
| PERS 1 | $1,397,934 |
| PERS 2/3 | (14,048,160) |
| PSERS 2 | (234,796) |
| LEOFF 1 | (548,364) |
| LEOFF 2 | (6,046,327) |

The amount of the asset reported above for LEOFF Plans 1 and 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 asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

| | LEOFF 1 (Asset) | LEOFF 2 (Asset) |
|---|---|---|
| Employer's proportionate share | $(548,364) | $(6,046,327) |
| State's proportionate share of the net pension asset associated with the employer | (3,709,120) | (3,900,541) |
| TOTAL | $(4,257,484) | $(9,946,868) |

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

| | Proportionate Share 6/30/20 | Proportionate Share 6/30/21 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.137332% | 0.114469% | -0.022863% |
| PERS 2/3 | 0.169055% | 0.141023% | -0.028032% |
| PSERS 2 | 0.143252% | 0.102201% | -0.041051% |
| LEOFF 1 | 0.015622% | 0.016008% | 0.000386% |
| LEOFF 2 | 0.115861% | 0.104096% | -0.011765% |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

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

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

**Pension Expense**

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

| | Pension Expense |
|---|---|
| PERS 1 | $(1,062,662) |
| PERS 2/3 | (3,239,755) |
| PSERS 2 | (6,836) |
| LEOFF 1 | (88,868) |
| LEOFF 2 | (725,414) |
| TOTAL | $(5,123,535) |

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

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

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $- | $- |
| Net difference between projected and actual investment earnings on pension plan investments | $- | $1,551,239 |
| Changes of assumptions | $- | $- |
| Changes in proportion and differences between contributions and proportionate share of contributions | $- | $- |
| Contributions subsequent to the measurement date | $351,382 | $- |
| TOTAL | $351,382 | $1,551,239 |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $682,299 | $172,217 |
| Net difference between projected and actual investment earnings on pension plan investments | $- | $11,740,966 |
| Changes of assumptions | $20,529 | $997,652 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $359,914 | $826,617 |
| Contributions subsequent to the measurement date | $575,380 | $- |
| TOTAL | $1,638,121 | $13,737,452 |

| PSERS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $24,093 | $928 |
| Net difference between projected and actual investment earnings on pension plan investments | $- | $168,185 |
| Changes of assumptions | $37 | $24,009 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $5,812 | $9,326 |
| Contributions subsequent to the measurement date | $25,402 | $- |
| TOTAL | $55,344 | $202,447 |

| LEOFF 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $- | $- |
| Net difference between projected and actual investment earnings on pension plan investments | $- | $167,559 |
| Changes of assumptions | $- | $- |
| Changes in proportion and differences between contributions and proportionate share of contributions | $- | $- |
| Contributions subsequent to the measurement date | $- | $- |
| TOTAL | $- | $167,559 |

| LEOFF 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $274,238 | $31,954 |
| Net difference between projected and actual investment earnings on pension plan investments | $- | $2,882,932 |
| Changes of assumptions | $2,614 | $287,564 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $234,909 | $33,354 |
| Contributions subsequent to the measurement date | $93,441 | $- |
| TOTAL | $605,202 | $3,235,804 |

| All Plans | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $980,630 | $205,099 |
| Net difference between projected and actual investment earnings on pension plan investments | $- | $16,510,881 |
| Changes of assumptions | $23,179 | $1,309,225 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $600,635 | $869,297 |
| Contributions subsequent to the measurement date | $1,045,605 | $- |
| TOTAL | $2,650,049 | $18,894,502 |

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

| Year ended December 31: | PERS 1 | PERS 2/3 | PSERS | LEOFF 1 | LEOFF 2 |
|---|---|---|---|---|---|
| 2022 | $(410,923) | $(3,283,502) | $(42,627) | $(44,510) | $(750,003) |
| 2023 | $(376,555) | $(3,072,555) | $(42,321) | $(40,712) | $(697,567) |
| 2024 | $(356,048) | $(2,991,688) | $(40,188) | $(38,416) | $(657,948) |
| 2025 | $(407,712) | $(3,197,686) | $(44,525) | $(43,921) | $(743,266) |
| 2026 | $- | $(83,129) | $(846) | $- | $8,537 |
| Thereafter | $- | $(46,151) | $(1,998) | $- | $116,205 |

**Western Conference of Teamsters Pension Plan**

Non-management public works employees of the City of Issaquah are members of a defined benefit pension plan provided by the Western Conference of Teamsters. The Western Conference of Teamsters Pension Plan, administered by NW Administrators, is a cost-sharing, multiple-employer, non-governmental pension plan that provides defined benefit pensions both to governmental and nongovernmental employees. The plan has no predominant governmental employer.

The Plan has a publicly available financial report, which can be found at http://www.wctpension.org/forms-documents/plan-documents

The employees joined the plan effective March 15, 2017. In the year ended December 31, 2021, 41 employees at the City were covered by the Plan. The Plan benefits are based on a percentage of contributions paid into the Plan on each employees' behalf. Types of coverage are normal retirement, early retirement, surviving spouse or child, disability and death benefits.

Contributions, as set by the collective bargaining agreement currently in effect, are one dollar per hour worked, up to 40 hours per week per employee. Employees make no contributions to the plan. The total contributions paid by the City of Issaquah in 2021 were $70,335. The only balance outstanding at December 31, 2021 was a payable for contributions related to year-end payroll, in the amount of $2,436. Benefit terms are established and amended pursuant to the collective bargaining agreement. The current agreement expires December 31, 2022, at which time the contribution amount may be amended.

If the City were to withdraw from the Plan, the plan administrator would conduct an actuarial calculation of the present value of future plan benefit payments for the City's employees who participated in the plan. The City would incur a payable for the excess of the present value of future benefits over the de minimis amount of $50,000. In addition, a partial withdrawal occurs if the City's total annual contributions fall below a certain percentage of its highest level of total annual contributions during a three-year rolling measurement period; in this instance, the City could incur a liability for the shortfall.

## NOTE 9: OTHER PERSONNEL BENEFITS

### DEFERRED COMPENSATION:

The City of Issaquah offers employees two deferred compensation plans in accordance with Internal Revenue Code Sections 457 and 401. These plans enable employees to defer a portion of their compensation until future years. The City of Issaquah matches a portion of the employee's contribution and there is no service period vesting requirement for the match; it vests immediately. The deferred compensation is available to employees upon termination, retirement, or certain unforeseeable emergencies and available to their beneficiaries upon the employee's death.

## RETIREMENT HEALTH SAVINGS ACCOUNT (RHS):

The City no longer funds the ICMA Retirement Health Savings Account. However, prior to 2020, eligible employees who separated from the City with eligible sick leave received a contribution in the plan. Prior to the plan becoming a sick leave conversion plan many years ago, long tenured active employees hold existing balances in the plan. This was an additional way to save for medical costs upon retirement. Employees with existing balances are eligible to use this account at age 50. It is the employee's responsibility to comply with the regulations of the program.

## OTHER POST EMPLOYMENT BENEFITS:

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, Accounting and Financial Reporting; Postemployment Benefits Other Than Pensions for the year ended December 31, 2021:

| *Aggregate OPEB Amounts – All Plans* | |
|---|---|
| OPEB liabilities | $2,431,155 |
| OPEB assets | $- |
| Deferred outflows of resources | $63,325 |
| Deferred inflows of resources | $- |
| OPEB expenses/expenditures | $(14,198) |

### OPEB Plan Description

The City of Issaquah administers a single-employer defined benefit healthcare plan. It is a closed plan that provides post-retirement health care benefits, in accordance with State statute to all LEOFF 1 retirees. As of December 31, 2021, there are 5 LEOFF 1 retirees covered by the benefit terms. There are no active employees or inactive employees not receiving benefits covered under this plan. This plan was closed to new entrants on October 1, 1977.

| | |
|---|---|
| *Inactive employees or beneficiaries currently receiving benefits* | 5 |
| *Inactive employees entitled to but not yet receiving benefits* | - |
| *Active employees* | - |
| *Total* | 5 |

### Benefits Provided

For purposes of LEOFF 1, OPEB are benefits that are provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, dental, vision, and long-term care insurance. The City of Issaquah reimburses one hundred percent of the amount of validated claims for medical and hospitalization costs incurred by retirees. State statute provides that the City of Issaquah's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. Therefore, upon reaching the eligible age tor Medicare, the City of Issaquah requires the retirees to apply for and utilize Medicare Part B coverage.

**Funding Policy**

Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of $192,651 were recognized for post-retirement health care.

**Assumptions and Other inputs**

The City has elected to calculate the total OPEB liability using the alternative measurement method (AAM) permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The AMM Online Tool prepared by Washington State Office of the State Actuary (OSA) is available at OSA's website, http://leg.wa.gov/osa. The valuation methods and assumptions built into the AAM Online Tool were consistent with the 2020 LEOFF 1 OPEB Actuarial Valuation Report. The plan actuarial valuation report is also available at OSA's website. The Entry Age Normal actuarial cost method was used in the valuation, which is permitted under GASB 75. The actuarial assumptions used in the valuation were based on the results of the 2019 Economic Experience Study. The significant assumptions in the valuation included:

- Inflation of 2.75 percent is based on the CPI: : Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bellevue, WA - All Items
- Discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Index at measurement date. This resulted in 2.21% discount rate at July 1, 2019 (beginning of measurement year) and 2.16% at June 30, 2020 (end of measurement year).
- Healthcare cost trend rates: Initial medical costs rate is approximately 5.3 percent and trends down to approximately 5 percent in the 2020's. Long-term care is 4.5 percent. Medicare Part B premiums is approximately 5 percent and varies by year.
- Mortality rates were based on the PubS.H-210 (Public Safety) mortality table, blended 50%/50%, Healthy/Disabled. The rates of mortality are consistent with those presented in the 2019 AVR which were updated during our 2013-18 Demographic Experience Study for the Washington State retirement systems.

Additional assumptions made by the OSA in the AAM Online Tool includes:

- Any remaining active members are assumed to retire immediately following the measurement date as over 99 percent of LEOFF 1 members are already retired.
- Each cohort is assumed to be 100 percent male as over 98 percent of the eligible LEOFF 1 population is male.
- 4 age-based cohorts are selected for the AMM Online Tool based upon the overall distribution of the LEOFF 1 eligible population.

**Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the City of Issaquah calculated using the current healthcare cost trend rates. as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

| | 1% Decrease | Current Healthcare Trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $2,217,275 | $2,431,155 | $2,675,206 |

**Discount Rate**

The following presents the total OPEB liability of the City calculated using the current discount rate of 2.21 percent. as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

| | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|---|---|---|---|
| Total OPEB Liability | $2,695,843 | $2,431,155 | $2,204,959 |

**Change in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| Beginning Balance | $ 2,437,411 |
| Changes for the year | |
| Interest cost | 52,532 |
| Changes in experience data and assumptions | 62,630 |
| Estimated benefit payments | (121,418) |
| Net changes | (6,256) |
| Ending Balance | $ 2,431,155 |

The City of Issaquah used the AMM Online Tool to calculate the OPEB liability of $2,431,155. The actuarial valuation and AMM Online Tool measurement dates were both as of June 30, 2021. No roll forward of OPEB liability was needed since both measurement dates were simultaneously. In total, the OPEB liability decreased by $6,256, approximately 0.3 percent.

OPEB expense of $(14,198) was recognized for the year ended December 31, 2021. Deferred outflows of resources of $63,325 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

## NOTE 10: RISK MANAGEMENT

City maintains internal service funds for operations related to unemployment, liability, property, and medical insurance programs. The unemployment and medical insurance programs are administered by the City, with claims being processed by independent claims administrators.

a. The City is a reimbursable employer with the Washington State Employment Security Department (ESD), therefore it is self-insured for unemployment. Claims are processed by the State and paid by the City. Below is an analysis of claims activity for the two years ended December 31, 2020 and 2021:

| | 2020 | 2021 |
|---|---|---|
| IBNR Claims at beginning of year | $ - | $ - |
| Current year claims | 190,468 | 36,793 |
| Prior period claims* | - | 60,848 |
| Claims payments | (190,468) | (97,641) |
| IBNR Claims at end of year | $ - | $ - |

**These were claims which were paid by the City in 2021. There was an invoicing error made by ESD which as identified by the City in 2021. These claims were settled by the City during the year.*

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

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

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

   Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

For the last three years no settlements exceeded insurance coverage.

c. Starting January 1, 2013, the City began offering self-insured medical programs to employees. The City is self-insured for three medical plans administered by Premera Blue Cross, two dental plans administered by Washington Dental Service (WDS), and a vision plan administered by Vision Service Plan (VSP). Group Health is offered as a Health Maintenance Organization (HMO) additional plan.

Effective January 1, 2014, the self-insured rates for the medical program were based upon historical data as well as market trends. Payments made in subsequent years were for actual claims activity.

The City authorizes an actuarial study every year to determine the fund's actuarial soundness and the impact on future rates. A new study was completed for fiscal year 2021 to estimate medical, prescription drug, and vision reserves for incurred but not reported claims (IBNR).

Claims exceeding $120,000 per occurrence are covered by a stop loss policy. To mitigate its risk exposure, the City holds individual and aggregate stop loss insurance. There were 6 claims in excess of the $120,000 per person stop loss maximum in 2021. Estimated liabilities are accrued for current outstanding claims and claims incurred but not reported (IBNR).

| | 2020 | 2021 |
|---|---|---|
| IBNR Claims at beginning of year | $ 270,000 | $ 253,300 |
| Incurred claims, including IBNR | 2,651,765 | 2,691,231 |
| Claims payments | (2,668,465) | (2,708,531) |
| IBNR Claims at end of year | $ 253,300 | $ 236,000 |

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1 million with Companion Life through Intermediary Insurance Services. 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.

## NOTE 11: INTERFUND ACTIVITY

### INTERFUND TRANSFERS

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year ended December 31, 2021, is as follows:

| | Transfer In | | | | | |
|---|---|---|---|---|---|---|
| Transfer Out | General Fund | Capital fund | Water Fund | Nonmajor Gov Fund | ISF | Total |
| General Fund | $ - | $ 2,235,000 | $ 48,600 | $ 4,124,898 | $ 320,540 | $ 6,729,038 |
| Mitigation Fund | - | 1,725,405 | - | - | - | 1,725,405 |
| Capital Fund | - | - | - | 24,823 | - | 24,823 |
| Water Fund | - | - | - | - | 61,143 | 61,143 |
| Sewer Fund | - | - | - | - | 17,741 | 17,741 |
| Stormwater Fund | - | 80,000 | - | - | 58,459 | 138,459 |
| Nonmajor Gov Fund | 25,000 | 3,676,972 | - | - | 408,492 | 4,110,464 |
| Total | $ 25,000 | $ 7,717,377 | $ 48,600 | $ 4,149,721 | $ 866,375 | $ 12,807,073 |

Interfund transfers are used to move resources from a fund collecting them to the fund using them, as required by statute or budget, and to account for ongoing operating subsidies between funds in accordance with budget authorizations. There were no significant transfers made during 2021 that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

| Transfers as indicated above are comprised of: | |
|---|---|
| Reimbursement for services provided | $ 704,560 |
| Operating transfers in support of fund specific activities | 4,808,012 |
| Operating transfers in support of capital activities | 5,542,739 |
| Operating transfers in support of debt services | 1,751,762 |
| | **$ 12,807,073** |

### ADVANCES TO/FROM OTHER FUNDS

Advances to/from other funds for the year ended December 31, 2021, were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Advances from: | | | | | |
| Sewer Fund | 243,840 | - | (60,000) | 183,840 | 60,000 |
| Total advance from | $ 243,840 | $ - | $ (60,000) | $ 183,840 | $ 60,000 |
| Advance to: | | | | | |
| Debt Service Fund | 243,840 | - | (60,000) | 183,840 | 60,000 |
| Total advance to | $ 243,840 | $ - | $ (60,000) | $ 183,840 | $ 60,000 |

The advanced loan from the Sewer Fund to the Debt Service Fund is to finance the costs of the construction of certain improvements and sewer improvements located at the intersection of East Lake Sammamish Parkway and Southeast 43rd Way. The note matures on December 1, 2028. $60,000 is scheduled to be paid back in 2022.

## NOTE 12: LONG-TERM DEBT

The City issued general obligation and revenue bonds to finance acquisition or construction of major capital facilities, or to refund debt previously issued for those purposes.

General obligation bonds are backed by the City's faith and credit. "Councilmanic Bonds" are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. General obligation bonds approved by the voters are typically repaid through an annual voted property tax levy authorized for this purpose. Predominantly general obligation bonds of the City have been issued for general governmental activity purposes. They are reported under governmental activities in the statement of net position.

Revenue bonds are being repaid through revenues generated by the City's various enterprise activities. Under the economic resource measurement focus used by the enterprise funds, revenue bonds are recorded as debts by the individual enterprise fund responsible for the related debt repayment.

General obligation bonds and revenue bonds are subject to federal arbitrage rules under Section 148(f) of the Internal Revenue Code. As of December 31, 2021, the City reported no arbitrage rebate liability on its bonds.

The City also issued special assessment bonds to finance construction of local improvement district (LID) and utility local improvement district (ULID) projects and are repaid through assessments collected from property owners benefiting from related improvements. The City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID control fund.

In addition, the City received intergovernmental loans to provide for capital construction projects. These intergovernmental loans are considered obligations of the general government and are being repaid with general governmental revenue sources.

### GENERAL OBLIGATION BONDS

Debt service is paid from the debt service fund with special property tax levies for the voter-approved bond issues.

Debt service for City Council-authorized issues is funded from other City taxes. Bonds carried a Moody's A 1 rating until November of 2006 when the City changed to Standard and Poor's and received an AA rating on both unlimited and limited general obligation Bonds. The City's most recent rating received in 2014 from Standard and Poor's is AAA.

The new bonds issued are recorded at net of premiums/discounts and issuance costs in the government-wide financial statements. There were no new bonds issued by the City in 2021.

General obligation bonds currently outstanding are as follows:

| Issue Name/Purpose | Issue Date | Maturity Date | Average Coupon Interest Rate | Original Issue | Debt Outstanding |
|---|---|---|---|---|---|
| 2014 Park Bond (Voted) | 12/1/2014 | 12/1/2033 | 3.23% | $ 7,745,000 | $ 5,645,000 |
| 2017 Parks Bond | 6/19/2017 | 12/1/2026 | 1.95% | 2,000,000 | 1,154,478 |
| 2017 Refunding of 2005 ITS & Pol | 6/19/2017 | 12/1/2025 | 1.95% | 972,500 | 455,000 |
| 2017 Refunding of 2006 Park Bonc | 6/19/2017 | 12/1/2026 | 1.95% | 3,752,500 | 1,972,500 |
| 2019 BABS Fire Station #72 Refun | 12/4/2019 | 12/1/2029 | 1.89% | 2,702,633 | 2,197,181 |
| 2014 Highland Park Facilities | 11/5/2014 | 12/1/2024 | 4.15% | 2,310,000 | 740,000 |
| 2019 Bergsma Property | 2/27/2019 | 12/1/2028 | 2.77% | 3,850,772 | 3,850,772 |
| 2019 Bollinger Property Refundin | 3/15/2019 | 12/1/2028 | 2.75% | 1,681,095 | 1,201,955 |
| 2020 Transportation and Facilitie | 5/28/2020 | 12/1/2034 | 2.44% | 8,643,149 | 8,643,149 |
| Total General Obligation Bonds | | | | $ 44,132,649 | $ 25,860,035 |

The annual debt service requirements to maturity for general obligation bonds are as follows:

| | Governmental Activities | |
|---|---|---|
| Year Ending December 31, | Principal | Interest |
| 2022 | $ 2,300,518 | $ 669,175 |
| 2023 | 2,362,795 | 610,130 |
| 2024 | 2,423,497 | 549,023 |
| 2025 | 2,482,619 | 485,685 |
| 2026 | 2,429,384 | 424,971 |
| 2027-2031 | 8,996,959 | 1,342,156 |
| 2032-2036 | 4,864,263 | 239,868 |
| Total | $ 25,860,035 | $ 4,321,008 |

Bonds issued recently were direct placements, including 2014 Highland Park Facilities, 2017 Park Bond, 2017 Refunding of 2005 ITS & Police, 2017 Refunding of 2006 Park Bonds, 2019 Bergsma Property, 2019 Bollinger Property Refunding, 2019 BABS Fire Station #72 Refunding, and 2020 Transportation and Facilities Bond. The annual debt service requirements to maturity for debt from direct placements are as follows:

| | Governmental Activities | |
|---|---|---|
| Year Ending December 31, | Principal | Interest |
| 2022 | $ 1,910,518 | $ 481,828 |
| 2023 | 1,957,795 | 438,383 |
| 2024 | 2,003,497 | 393,475 |
| 2025 | 2,047,619 | 346,937 |
| 2026 | 1,979,384 | 299,274 |
| 2027-2031 | 6,546,959 | 924,931 |
| 2032-2036 | 3,769,263 | 185,418 |
| Total | $ 20,215,035 | $ 3,070,246 |

As of December 31, 2021, the City has approximately $840,000 available in debt service funds to service the general bonded debt.

**REVENUE BONDS**

Revenue bonds are payable from pledged revenues generated by the respective enterprise funds. The City's most recent rating on revenue bonds as of 2012, are rated AA.

The revenue bonds outstanding as of December 31, 2021, are as follows:

| Issue Name/Purpose | Issue Date | Maturity Date | Average Coupon Interest Rate | Original Issue | Balance Outstanding |
|---|---|---|---|---|---|
| 2011 Water Revenue Bonds | 9/15/2011 | 12/1/2021 | 3.18% | $5,350,000 | - |

The City had pledged future water utility revenue, net of operating expenses (net revenue), to repay $5,350,000 in revenue bonds issued in 2011. Proceeds from the bonds provided financing for the refunding of the City's outstanding Water Revenue Bonds 2001. The bonds are payable solely from water utility net revenue. Annual principal and interest payments on the bonds are expected to require less than 20% percent of net revenues. The revenues bonds were paid out in full in 2021. Principal and interest paid and total pledged revenue for the current year were $634,400 and $3,021,975 respectively.

## SPECIAL ASSESSMENT BONDS

Special Assessment Bonds paid through the collection of assessments levied against the benefited properties located within the boundaries of the Local Improvement District (LID). Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged for the bond repayment. The assessments are liens against the respective properties which are subject to foreclosure. The City is obligated to make principal and interest payments regardless of collections.

In December of 2009, the City issued LID #23, paid through the collection of assessments levied against the property owners of the Mall Street Sidewalk Improvements. The LID #23 debt outstanding as of December 31, 2021 are as follows:

| Issue Name/Purpose | Issue Date | Maturity Date | Average Coupon Interest Rate | Original Issue | Balance Outstanding |
|---|---|---|---|---|---|
| LID No. 23 - Governmental | 12/31/2009 | 12/1/2024 | 4.70% | $ 977,390 | $50,000 |

The annual debt service requirements to maturity for governmental special assessment bonds are as follows:

| Year Ending December 31, | Business-type Activities Principal | Interest |
|---|---|---|
| 2022 | $ - | $ 2,650 |
| 2023 | $ - | $ 2,650 |
| 2024 | $ 50,000 | $ 2,650 |
| Total | $ 50,000 | $ 7,950 |

As of December 31, 2021, there were no delinquent LID assessment installments.

## LOANS PAYABLE TO OTHER GOVERNMENTS

The City received loans from other governments to provide for capital construction projects. The agreement information along with original and outstanding debt, as of December 31, 2021, is as follows:

KC North SPAR Loan

| Issue Name/Purpose | Issue Date | Maturity Date | Average Coupon Interest Rate | Original Issue | Balance Outstanding |
|---|---|---|---|---|---|
| KC North SPAR Interlocal Agreement | 1/1/2003 | 12/31/2023 | 0.00% | $7,000,000 | $350,000 |

The annual debt service requirements to maturity for the loan payable to other governments is as follows:

| Year Ending December 31, | Governmental Activities Principal | Interest |
|---|---|---|
| 2022 | $ 350,000 | $ - |
| Total | $ 350,000 | $ - |

Drinking Water State Revolving Fund (DWSRF) Loan

The City entered into the DWSRF loan with the WA State Department of Health (DOH) in 2021. The total authorized loan amount is $5.05 million, at 1.75% interest, over 20 years. This DWSRF loan, funds the construction of a new booster pump station along I-90 for the purpose of connecting to safe and reliable sources of drinking water. As of December 31, 2021, total draws of the City amounted to $3.3 million and $16,808 in interest payable were accrued. DWSRF loan repayment terms have not been defined. Terms will be defined upon project completion. The City anticipates to drawdown the remaining balance of the loan in 2022.

## REFUNDED DEBT

To lower interest costs, the City has refunded and defeased certain bonds. In prior years, the City issued new refunding bonds to refund certain prior bond issues; as a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net position. The City did not issue any refunding bonds in 2021.

## CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended December 31, 2021:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General obligation bonds | $ 28,623,542 | $ - | $ 2,763,507 | $ 25,860,035 | $ 2,300,518 |
| Special assessment bonds | 65,000 | - | 15,000 | 50,000 | - |
| Compensated absences | 2,959,035 | 2,519,137 | 2,959,035 | 2,519,137 | 772,896 |
| Claims payable | 253,300 | 2,691,231 | 2,708,531 | 236,000 | 236,000 |
| Pension liability | 5,458,092 | - | 4,311,787 | 1,146,306 | - |
| Total OPEB liability | 2,437,411 | - | 6,256 | 2,431,155 | 126,649 |
| Asset retirement obligation | 45,000 | 1,350 | - | 46,350 | - |
| Loans payable to other governments | 700,000 | - | 350,000 | 350,000 | 350,000 |
| Total governmental activity long- term liabilities | $ 40,541,380 | $ 5,211,718 | $ 13,114,116 | $ 32,638,982 | $ 3,786,063 |
| | | | | | |
| Business-type activities | | | | | |
| Revenue bonds | $ 610,000 | $ - | $ 610,000 | $ - | $ - |
| Compensated absences | 604,547 | 553,071 | 604,547 | 553,072 | 169,688 |
| Pension liability | 1,552,586 | - | 1,300,957 | 251,629 | - |
| Asset retirement obligation | 463,100 | 34,893 | - | 497,993 | - |
| Loans payable to other governments* | - | 3,293,062 | - | 3,293,062 | - |
| Total business-type activities long- term liabilities | $ 3,230,233 | $ 3,881,026 | $ 2,515,504 | $ 4,595,756 | $ 169,688 |

* DWSRF loan for which repayment terms have not been defined. Terms will be defined upon project completion.

For the governmental activities, claims, compensated absences, pension, and OPEB liabilities are generally liquidated by the general fund.

## NOTE 13: CONTINGENCIES AND LITIGATION

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or fund balances are adequate to pay all known or pending claims.

The City is contingently liable for repayment of refunded debt, if any. Refunded debt is discussed in Note 12, Long-Term Debt.

The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. It is the opinion of management that such disallowances, if any, will be immaterial.

As of December 31, 2021, it became probable that the City would pay a traffic impact fee refund to Issaquah School District. In April 2022, the City reached a settlement agreement on the traffic impact fee refund in the amount of $788,466. This amount is recorded as part of the City's accrued liabilities.

## NOTE 14: JOINT VENTURES

### EASTSIDE PUBLIC SAFETY COMMUNICATIONS AGENCY

In 1993, the City joined the Eastside Public Safety Communications Agency (EPSCA), a joint venture. EPSCA was established by the cities of Bellevue, Redmond, Kirkland, and Mercer Island (Principals) in May 1992. The purpose of EPSCA is to develop, own, operate, and manage an Eastside radio communications system to be integrated with a regional radio communications network. Its capital budget is funded by a voter-approved county-wide property tax levy.

EPSCA is governed by an Executive Board composed of the Chief executive officer of each Principal. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters.

An Operations Committee, composed of the Chief of Police and the Chief of Fire of each Principal, reports to the Executive Board and oversees budget preparation, rates, revenues, expenditures, policies, and other operational issues. The Operations Committee also includes representation from non-Principal EPSCA user agencies.

The interlocal agreement provides for a weighted vote proportionate to each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2021, the weighted vote was as follows:

| | |
|---|---|
| Redmond | 23.59% |
| Bellevue | 46.52% |
| Kirkland | 18.04% |
| Mercer Island | 5.89% |
| Issaquah | 5.96% |
| | 100.00% |

The voting percentages are reviewed and adjusted annually on January 1 based on the number of radios on the system in use by current Principals as of December 31 of the preceding year.

In 2021, the City incurred service and radio maintenance fees in the amounts of $8,817 and $25,790, respectively. As of December 31, 2021, there was no outstanding payable to EPSCA.

Upon dissolution, the interlocal agreement provides for distribution of net assets among the Principals based on the weighted voting percentages in force at the time of dissolution.

In August 1993, EPSCA entered into an interlocal cooperation agreement (Agreement 2), with the subregions of King County, Seattle, and Valley Communications. Agreement 2 governs the development, acquisition, and installation of the emergency radio communication system funded by the King County Levy.

Agreement 2 provides that upon voluntary termination of any subregion's participation in the system, it surrenders its radio frequencies, relinquishes its equipment, and transfers any unexpended levy proceeds and equipment replacement reserves to another subregion or a consortium of subregions. Thus, in accordance with Agreement 2, the Principals of ESPCA have no equity interest in EPSCA's contributed capital ($10.0 million from King County levy proceeds).

Budget monitoring and compiled financial statements for EPSCA can be obtained from EPSCA, c/o Kale Fong, MS PSEPS, PO Box 97010, Redmond, WA 98073-9710 or http://epsca.net/.

**EASTSIDE FIRE AND RESCUE**

In 1999, through an interlocal agreement as provided by RCW Title 39.34, the consolidation of several agencies created a new Fire and Emergency Medical Services agency called Eastside Fire and Rescue (EF&R). The agencies (principals) joining in this consolidation included King County Washington Fire Districts 10 and 38, and the Cities of Issaquah and North Bend, with the City of Sammamish joining in January 2000. During 2021, EF&R became a non-profit corporation. The current interlocal agreement is in effect through December 31, 2031. Any party may withdraw from this agreement at the end of the initial term or at the end of any successive ten-year term, by filing with the other Parties a notice of withdrawal in January 2029 or in January of the eighth year of any succeeding term, as applicable.

EF&R is a joint venture partnership. The entities retain an equity interest in EF&R based on their support of EF&R operations. As of December 31, 2021, the equity percentage was as follows:

| | |
|---|---|
| Fire Dist 10 | 36.52% |
| Fire Dist 38 | 6.59% |
| City of Issaquah | 24.12% |
| City of North Bend | 4.45% |
| City of Sammamish | 28.33% |
| | 100.00% |

EF&R is governed by a Joint Board of Directors. The Board is made up of representatives from each of the partner agencies that comprise EF&R and meets on the second Tuesday of each month.

| | 2021 |
|---|---|
| Fire Dist 10 | 2 |
| Fire Dist 38 | 1 |
| City of Issaquah | 2 |
| City of North Bend | 1 |
| City of Sammamish | 2 |
| | 8 |

EF&R has no taxing authority. The Fire Districts levy regular real property and emergency medical service taxes at the maximum rate allowed by law. The Fire Districts transfer taxes to EF&R, as agreed upon and approved by the Directors with the Board of Directors in June and December.

The amount of annual contribution for the agencies, and the amount of additional services contribution, if any, shall be determined by the respective legislative bodies, after recommendation by the Board of Directors. Annually, agencies contribute financially according to a revenue formula developed on or before June 30 of each year.

The revenue formula is based on certain criteria including day/night population call volume, assessed valuation, service area, response time and number of equivalent residential units. Agencies also annually contribute all emergency medical service taxes, together with all other designated fire service or fire department revenues which may include fire and emergency services related fees, mitigation and charges for building and land development.

The City contributed service fees of $7,295,832 in 2021.

All real and personal property acquired prior to the EE&R interlocal agreement remains property of the acquiring member, with exclusive access and control over the property by EF&R. All property acquired pursuant to the interlocal agreements shall be identified by the Board upon acquisition as joint or separate property. Upon termination of the interlocal agreement, all separate property shall be returned to the owner; the net value of all jointly owned property shall be calculated, and each party shall receive or pay, as applicable, the total net amount to the other, in cash or jointly owned property. The City records the capital assets in the governmental activities column of the Statement of Net Position.

Upon dissolution, the interlocal agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the agreement paid by each member. The City's remaining share of net position is deemed immaterial and thus is not reflected in the financial statement.

Audited financial information can be obtained from Eastside Fire and Rescue, 175 NW Newport Way, Issaquah, WA 98027 or http://eastsidefire-rescue.org/.

**CASCADE WATER ALLIANCE**

In April 1999, the City of Issaquah entered into an interlocal agreement with eight other water providers in the region to create the Cascade Water Alliance (the Alliance).

The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the member's legislative authority.

Each member entity must pay annual dues based on the number of residential units served by the water system within their jurisdiction. In 2021, the City paid its administrative membership dues of $297,008. The City also incurred expenditures of $2,035,723 in 2021 for Regional Capital Facilities Charges (RCFCs) for new residential hookups to the water distribution system. As of December 31, 2021, the outstanding payables were $885,340.

A member may withdraw from the Alliance with a resolution of its legislative authority expressing such intent. The Board will then determine the withdrawing member's obligations to the Alliance, as well as the withdrawing member's allocable share of the Alliance's then-existing obligations. The member's withdrawal shall be effective upon payment of obligations and the member shall have no right to, or interest in any water supply assets owned by the Alliance. Upon disincorporation, the net position of the Alliance will be shared equitably by current members at the time of dissolution based on demand shares.

Audited financial information can be obtained from Cascade Water Alliance, c/o Chris Paulucci, Manager of Finance and Administration, 520 112th Avenue SE, Suite 400, Bellevue, WA 98004 or http://cascadewater.org/.

**E-CITY GOV ALLIANCE**

On March 25, 2002, the City of Bellevue Council unanimously adopted a resolution establishing the E-City Gov Alliance (the E-City) between the City of Bellevue and the cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish, and Woodinville. Since 2002, additional cities have joined the E-City. The E-City establishes on-line services through a jointly operated internet portal. Additionally, the E-City has established a partnership with Microsoft to help define the E-City Gov architecture, provide consulting services, offer training, and donate software. In 2014 the E-City became a non-profit corporation.

The interlocal agreement may be terminated if principals holding at least sixty (60%) of the weighted vote of all the principals are in occurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor, (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the principals based upon each principal's proportional ownership interest at the time of the sale of the property. The City's share of the net position is deemed immaterial and thus not reflected in the financial statements.

The E-City is governed by an Executive Board comprised of one Board member from each of the principal partner cities. Expenditures consist of capital and operations costs, per the budget adopted by the E-City Executive Board, and Bellevue's administrative costs associated with performing duties as the E-City's fiscal agent. In 2021, the City of Issaquah paid no membership dues. The City incurred surcharges of $61,058 in 2021 and there was an outstanding payable of $15,265 as of December 31, 2021.

Budget monitoring information may be obtained from E-City Gov Alliance, c/o City of Bellevue Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012 or http://www.ecitygov.net/default.aspx.

**SOUND CITIES ASSOCIATION**

In 1970 Sound Cities Association (SCA) was formed to help cities act locally and partner regionally to create vital, livable communities through advocacy, education, leadership, mutual support and networking. The City of Issaquah is among 38 cities represented by SCA having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association and governs the organization by establishing broad policies and objectives for SCA.

Operating revenues are provided by membership dues based on population. The City of Issaquah's dues were $25,048 in 2021. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to the same formula used to determine membership dues.

For additional information contact Deanna Dawson, Executive Director, deanna@soundcities.org.

## NOTE 15: CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2021. The City's commitments with contractors for these active construction projects are as follows:

| Project | Spent to Date | Remaining Commitment |
|---|---|---|
| Salmon Run Nature Park Stream Restoration Retrofit | $ 5,950 | $ 1,550 |
| E Lk Sam Pkwy & SE 51st Culvert | 310,688 | 14,369 |
| Lower Issaquah Creek Habitat Enhancement Project | 316,266 | 25,290 |
| Detailed Hydraulic Analyses for Lower Iss. Creek | 38,156 | 6,219 |
| 12th Ave NW SR 900/17th Ave NW Improvement Project | 571,826 | 211,763 |
| Custom Street Lighting Order 12th & SR900 | - | 78,299 |
| Newport Way SR900-54TH Design | 2,260,278 | 524,991 |
| Engineering Design for WSDOT PE Phase | 1,089,103 | 1,503,135 |
| WSDOT I-90 Aux Lane Project Agreement | - | 3,000,000 |
| Surveying for ELSP | 66,784 | 31,052 |
| SE 43rd Way Signal Improvements | 1,140,063 | 14,029 |
| SE 43RD Way Intersection Improvements | 6,373,261 | 119,573 |
| Alder Festival Street | - | 84,450 |
| E LK Samm Pkwy & SE 43rd Way RAB | 85,432 | 48,910 |
| Newport Way Raised Intersection & Ped Bridge | 100,810 | 78,141 |
| Design Services for Safety Improvements Project | 36,837 | 65,393 |

| Project (continued) | Spent to Date | Remaining Commitment |
|---|---|---|
| Newport Way Raised Intersection & Ped Bridge | $ 100,810 | $ 78,141 |
| Design Services for Safety Improvements Project | 36,837 | 65,393 |
| Newport Way NW Landslide Stabilization Project | 58,755 | 77,035 |
| Newport Way Landslide | 10,224 | 57,405 |
| Acquisition and Appraisal Services | 541 | 68,293 |
| PRV and master meter design | 14,778 | 151,222 |
| On-Call Geotechnical Services | 47,877 | 52,123 |
| South SPAR Booster Pump Station Construction | 3,571,583 | 3,508,733 |
| Environmental Svcs_SouthSPAR Booster Pump Station | 17,978 | 17,510 |
| Highwood & Forest Rim Reservoirs Retrofit Phase I | 79,972 | 29,405 |
| Water System Improvements Project | 369,649 | 33,651 |
| MC21-1 Crack and Cape Seal Contract – Doolittle Construction | 663,327 | 4,673 |
| MC21-2 Maintenance Overlay Project – Lakeside Industries | 873,815 | 403,564 |
| | $ 18,103,953 | $ 10,210,778 |

## NOTE 16: ASSETS RETIREMENT OBLIGATIONS

The City has several asset types which have legally enforceable liability associated with their retirements. There are currently no assets restricted for payment of the liabilities.

*Wells*

The City maintains an inventory of wells that have decommissioning requirements per the Washington State Department of Ecology. There are two types of wells with related regulations including water wells (WAC 173-160-381, WAC 173-162, and RCW Chapter 18.104) and resource monitoring wells (WAC 173-160-460). The wells are expected to remain in service through various periods ranging from 2087-2136. The assumption of the useful life of each well is 120 years. The remaining useful life is in a range of 68 to 117 years. The decommissioning costs for water wells are estimated in consideration of the decommissioning cost estimates developed by a local government entity, which were based on historical data and analysis provided by a third-party resource. The assumption of the decommissioning cost for water wells is $100 per foot of depth, of which approximately $75 per foot represents the labor and equipment costs and approximately $25 per foot the cost of grout or other plugging materials. The City estimates the decommissioning cost for the resource monitoring wells to be $5,000 per well based on the City's historical experience and adjusted 3% annually for inflation. The estimated costs of $167,993 is reported as a liability in the statement of fund net position as of 12/31/2021. For the year end December 31, 2021, the City recognized $1,817 of amortization expense in the fund statement of revenues, expenses and changes in fund net position.

*Stormwater Dams*

The City owns several dams which are regulated and monitored by the Washington State Department of Ecology. Per WAC 173-175-020, stormwater dams are subject to regulation if they store more than 10 acre-feet (3.2 million gallons) of water. Applicable laws and regulations include RCW 43.21A, RCW 86.16.035, RCW 90.03, and WAC 173-175. Decommissioning of the City's stormwater dams is expected to occur from 2062 and 2067. The City utilizes the straight-line depreciation method over a 40-year remaining life. The decommissioning costs is estimated at approximately $66,000 per dam based on the City's historical experience. The estimated costs of $330,000 is reported as a liability in the statement of fund net position as of 12/31/2021. For the year end December 31, 2021, the City recognized $7,567 of amortization expense in the fund statement of revenues, expenses and changes in fund net position.

*Underground Fuel Storage Tank*

The City has a singular underground fuel storage tank. The Environmental Protection Agency and Washington State Department of Ecology regulate and monitor underground storage tanks in the state. Disposition requirements are found at WAC 173-360A-0810. The tank is expected to remain in service until 2035. The City utilizes the straight-line depreciation method over a 15-year remaining life. The City estimated the cost of decommissioning of approximately $46,350, adjusted by 3% for inflation, based on its historical experience as of December 31, 2021. The liability is reported in the government-wide statement of net position. For the year end December 31, 2021, the City recognized $3,318 of amortization expense in the government-wide statement of activities.

## NOTE 17: COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

In response to the pandemic, most city facilities were closed to the public for over a year, many city employees work remotely, and new procedures have been put in place. While some activities have been limited or temporarily curtailed, the City continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the City is unknown at this time.

## NOTE 18: RELATED PARTY TRANSACTION

In 2021, a City councilmember was appointed as the part-time executive director for Influence the Choice (ITC), a locally based non-profit organization. The City and ITC jointly participate in the Federal Drug Free Communities Support Program, in which the City is the prime recipient and fiscal agent, and ITC is the program administrator. In the councilmember's capacity as the executive director for ITC, the City reimbursed the councilmember $6,193 in 2021. No payments were outstanding at the end of 2021. As of December 31, 2021, the City councilmember no longer served as the executive director for ITC.

## NOTE 19: SUBSEQUENT EVENT

The City entered into a purchase agreement on January 20, 2022 for the sale of carbon credits, pursuant to the City's first ever Carbon Credit Program approved by the City Council in October 2021. The City's carbon credit sale was part of a larger national sale which included the pooling of credits across many sellers. There was a total of 6,409 carbon credits attributable to the City for sale at $34/credit per the purchase agreement, resulting in total proceeds of $217,906, which were collected by the City in February 2022. The proceeds will be used to support the City's Green Issaquah activities to restore and maintain the City's forested parks and open spaces.

# City of Issaquah
# Required Supplementary Information
# December 31, 2021

Schedule of Changes in OPEB Liability and Related Ratios
LEOFF 1 Medical Benefits OPEB Plan
As of June 30, 2021
Last Ten Fiscal Years

| Total OPEB liability | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Interest | $ 79,954 | $ 82,999 | $ 70,134 | $ 52,532 |
| Changes in experience data and assumptions | (66,027) | (119,071) | 414,400 | 62,630 |
| Estimated benefit payments | (97,056) | (108,310) | (101,057) | (121,418) |
| Net change in total OPEB liability | (83,129) | (144,382) | 383,477 | (6,256) |
| Total OPEB liability - beginning | 2,281,445 | 2,198,316 | 2,053,934 | 2,437,411 |
| Total OPEB liability - ending | $ 2,198,316 | $ 2,053,934 | $ 2,437,411 | $ 2,431,155 |
| Total OPEB liability, as a percentage of covered employee payroll | N/A | N/A | N/A | N/A |

The notes to the required supplementary information are an integral part of this schedule.

## Schedule of Proportionate Share of Net Pension Liability (Asset)
## State-Sponsored Plan - PERS 1
## As of June 30
## Last Ten Fiscal Years

| Year Ended June 30, | Employer's Proportion of Net Pension Liability (Asset) | Employer's Proportionate Share of Net Pension Liability (Asset) | Covered Payroll | Employer's Proportionate Share of Net Pension Liability (Asset) as Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 0.114469% | $ 1,397,934 | $ 19,245,160 | 7.26% | 88.74% |
| 2020 | 0.137332% | 4,848,561 | 19,763,111 | 24.53% | 68.64% |
| 2019 | 0.129086% | 4,963,815 | 19,747,616 | 25.14% | 67.12% |
| 2018 (*) | 0.138967% | 6,206,313 | 18,480,732 | 33.58% | 63.22% |
| 2017 | 0.146165% | 6,935,643 | 16,198,546 | 42.82% | 61.24% |
| 2016 | 0.136550% | 7,333,378 | 18,612,331 | 39.40% | 57.03% |
| 2015 | 0.146292% | 7,652,432 | 16,675,156 | 45.89% | 59.10% |

* Correction made to 2018 employer's proportion of net pension liability (asset).

## Schedule of Proportionate Share of Net Pension Liability (Asset)
## State-Sponsored Plan - PERS 2/3
## As of June 30
## Last Ten Fiscal Years

| Year Ended June 30, | Employer's Proportion of Net Pension Liability (Asset) | Employer's Proportionate Share of Net Pension Liability (Asset) | Covered Payroll | Employer's Proportionate Share of Net Pension Liability (Asset) as Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 0.141023% | $ (14,048,160) | $ 18,479,470 | -76.02% | 120.29% |
| 2020 | 0.169055% | 2,162,117 | 18,921,231 | 11.43% | 97.22% |
| 2019 | 0.158899% | 1,543,450 | 18,914,590 | 8.16% | 97.77% |
| 2018 | 0.169429% | 2,892,849 | 17,681,675 | 16.36% | 95.77% |
| 2017 | 0.178732% | 6,210,083 | 15,470,170 | 40.14% | 90.97% |
| 2016 | 0.166677% | 8,392,055 | 17,787,071 | 47.18% | 85.82% |
| 2015 | 0.178975% | 6,394,879 | 15,890,631 | 40.24% | 89.20% |

## Schedule of Proportionate Share of Net Pension Liability (Asset)
## State-Sponsored Plan - PSERS
## As of June 30
## Last Ten Fiscal Years

| Year Ended June 30, | Employer's Proportion of Net Pension Liability (Asset) | Employer's Proportionate Share of Net Pension Liability (Asset) | Covered Payroll | Employer's Proportionate Share of Net Pension Liability (Asset) as Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|
| 2021 | 0.102201% | $ (234,796) | $ 765,689 | -30.66% | 123.67% |
| 2020 | 0.143252% | (19,711) | 841,880 | -2.34% | 101.68% |
| 2019 | 0.154341% | (20,071) | 780,718 | -2.57% | 101.85% |
| 2018 | 0.184606% | 2,287 | 725,387 | 0.32% | 99.79% |
| 2017 | 0.215045% | 42,134 | 664,932 | 6.34% | 93.14% |
| 2016 | 0.201567% | 85,662 | 753,428 | 11.37% | 90.41% |
| 2015 | 0.224063% | 40,896 | 665,828 | 6.14% | 89.20% |

The notes to the required supplementary information are an integral part of these schedules.

**Schedule of Proportionate Share of Net Pension Liability (Asset)**
**State-Sponsored Plan - LEOFF 1**
**As of June 30**
**Last Ten Fiscal Years**

| Year Ended June 30, | Employer's Proportion of Net Pension Liability (Asset) | Employer's Proportionate Share of Net Pension Liability (Asset) | State's Proportionate Share of Net Pension Liability (Asset) Associated with the Employer | Total | Covered Payroll | Employer's Proportionate Share of Net Pension Liability (Asset) as Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2021 | 0.016008% | $ (548,364) | $ (3,709,120) | $ (4,257,484) | N/A | N/A | 187.45% |
| 2020 | 0.015622% | (295,023) | (1,995,527) | (2,290,550) | N/A | N/A | 146.88% |
| 2019 | 0.015287% | (302,165) | (2,043,833) | (2,345,998) | N/A | N/A | 148.78% |
| 2018 | 0.015019% | (272,670) | (1,844,335) | (2,117,005) | N/A | N/A | 144.42% |
| 2017 | 0.014863% | (225,504) | (1,525,306) | (1,750,810) | N/A | N/A | 135.96% |
| 2016 | 0.014493% | (149,319) | (1,009,992) | (1,159,311) | N/A | N/A | 123.74% |
| 2015 | 0.014496% | (174,733) | (1,181,890) | (1,356,623) | N/A | N/A | 127.36% |

**Schedule of Proportionate Share of Net Pension Liability (Asset)**
**State-Sponsored Plan - LEOFF 2**
**As of June 30**
**Last Ten Fiscal Years**

| Year Ended June 30, | Employer's Proportion of Net Pension Liability (Asset) | Employer's Proportionate Share of Net Pension Liability (Asset) | State's Proportionate Share of Net Pension Liability (Asset) Associated with the Employer | Total | Covered Payroll | Employer's Proportionate Share of Net Pension Liability (Asset) as Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2021 | 0.104096% | $ (6,046,327) | $ (3,900,541) | $ (9,946,867) | 4,337,939 | -139.38% | 142.00% |
| 2020 | 0.115861% | (2,363,395) | (1,511,212) | (3,874,607) | 4,193,945 | -56.35% | 115.83% |
| 2019 | 0.116366% | (2,695,843) | (1,765,416) | (4,461,259) | 4,453,310 | -60.54% | 119.43% |
| 2018 | 0.120159% | (2,439,490) | (1,579,524) | (4,019,014) | 3,991,146 | -61.12% | 118.50% |
| 2017 | 0.123242% | (1,710,200) | (1,109,375) | (2,819,575) | 3,397,610 | -50.34% | 113.36% |
| 2016 | 0.116006% | (674,726) | (439,872) | (1,114,598) | 3,982,566 | -16.94% | 106.04% |
| 2015 | 0.127854% | (1,314,083) | (868,873) | (2,182,956) | 3,710,330 | -35.42% | 111.67% |

The notes to the required supplementary information are an integral part of these schedules.

**Schedule of Employer Contributions**
**State-Sponsored Plan - PERS 1**
**As of December 31**
**Last Ten Fiscal Years**

| Year Ended December 31, | Statutorily or Contractually Required Contributions | Contributions in Relation to the Statutorily or Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2021 | $ 792,150 | $ 792,150 | $ - | $ 18,455,800 | 4.29% |
| 2020 | 877,176 | 877,176 | - | 18,320,039 | 4.79% |
| 2019 | 1,000,525 | 1,000,525 | - | 20,227,730 | 4.95% |
| 2018 | 963,230 | 963,230 | - | 19,056,271 | 5.05% |
| 2017 | 886,737 | 886,737 | - | 18,008,466 | 4.92% |
| 2016 | 842,298 | 842,298 | - | 17,643,280 | 4.77% |
| 2015 | 743,625 | 743,625 | - | 16,967,211 | 4.38% |

**Schedule of Employer Contributions**
**State-Sponsored Plan - PERS 2/3**
**As of December 31**
**Last Ten Fiscal Years**

| Year Ended December 31, | Statutorily or Contractually Required Contributions | Contributions in Relation to the Statutorily or Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2021 | $ 1,263,368 | $ 1,263,368 | $ - | $ 17,706,944 | 7.13% |
| 2020 | 1,383,460 | 1,383,460 | - | 17,577,861 | 7.87% |
| 2019 | 1,493,377 | 1,493,377 | - | 19,376,256 | 7.71% |
| 2018 | 1,357,367 | 1,357,367 | - | 18,242,650 | 7.44% |
| 2017 | 1,180,087 | 1,180,087 | - | 17,209,364 | 6.86% |
| 2016 | 1,046,034 | 1,046,034 | - | 16,842,252 | 6.21% |
| 2015 | 908,629 | 908,629 | - | 16,209,671 | 5.61% |

**Schedule of Employer Contributions**
**State-Sponsored Plan - PSERS**
**As of December 31**
**Last Ten Fiscal Years**

| Year Ended December 31, | Statutorily or Contractually Required Contributions | Contributions in Relation to the Statutorily or Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2021 | $ 51,182 | $ 51,182 | $ - | $ 748,856 | 6.83% |
| 2020 | 53,437 | 53,437 | - | 742,178 | 7.20% |
| 2019 | 59,513 | 59,513 | - | 834,519 | 7.13% |
| 2018 | 50,567 | 50,567 | - | 742,917 | 6.81% |
| 2017 | 48,388 | 48,388 | - | 726,080 | 6.66% |
| 2016 | 48,242 | 48,242 | - | 732,052 | 6.59% |
| 2015 | 43,477 | 43,477 | - | 671,688 | 6.47% |

The notes to the required supplementary information are an integral part of these schedules.

**Schedule of Employer Contributions**
**State-Sponsored Plan - LEOFF 2**
**As of December 31**
**Last Ten Fiscal Years**

| Year Ended December 31, | Statutorily or Contractually Required Contributions | Contributions in Relation to the Statutorily or Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2021 | $ 190,585 | $ 190,585 | $ - | $ 3,710,412 | 5.14% |
| 2020 | 213,939 | 213,939 | - | 4,154,474 | 5.15% |
| 2019 | 229,037 | 229,037 | - | 4,403,309 | 5.20% |
| 2018 | 223,668 | 223,668 | - | 4,293,080 | 5.21% |
| 2017 | 194,922 | 194,922 | - | 3,785,090 | 5.15% |
| 2016 | 187,951 | 187,951 | - | 3,721,590 | 5.05% |
| 2015 | 186,794 | 186,794 | - | 3,698,030 | 5.05% |

**Schedule of Employer Contributions**
**Western Conference of Teamsters Pension Plan**
**As of December 31**
**Last Ten Fiscal Years**

| Year Ended December 31, | Statutorily or Contractually Required Contributions | Contributions in Relation to the Statutorily or Contractually Required Contributions | Contribution Deficiency (Excess) |
|---|---|---|---|
| 2021 | $ 70,335 | $ 70,335 | $ - |
| 2020 | 74,464 | 74,464 | - |
| 2019 | 76,784 | 76,784 | - |
| 2018 | 65,816 | 65,816 | - |
| 2017 | 62,001 | 62,001 | - |

The notes to the required supplementary information are an integral part of these schedules.

# City of Issaquah
# Notes to Required Supplementary Information
# December 31, 2021

### Note 1: Information Provided

The City implemented GASB 68 for the year ended December 31, 2015 as required. The City has implemented GASB 75 for the year ended December 31, 2018 as required. The schedules presented as required supplementary information will eventually report ten years of trends as that information becomes available.

The City joined the Western Conference of Teamsters Pension Plan in 2017. Contributions information for this Plan is presented for the years ended December 31, 2017, 2018, 2019 and 2021. Until a full 10-year trend is compiled, only information for those years available is presented.

### Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions beyond those identified in the Notes to the Financial Statements.

### Note 3: Covered Payroll

Covered payroll has been presented in accordance with GASB 82 and GASB 75. Covered payroll includes all payroll on which contributions are based.

### Note 4: OPEB Plan

LEOFF 1 Medical Benefits OPEB plan are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB 75.

## City of Issaquah
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2021

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| **CDBG - Entitlement Grants Cluster** | | | | | | | | |
| ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via King County Department of Community and Human Services) | Community Development Block Grants/Entitlement Grants | 14.218 | 6242255 | 18,750 | - | 18,750 | - | 1, 2 |
| | | | **Total CDBG - Entitlement Grants Cluster:** | **18,750** | **-** | **18,750** | - | |
| **Highway Planning and Construction Cluster** | | | | | | | | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-10061 | 54,076 | - | 54,076 | - | 1, 2, 4 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-10061 | 6,637 | - | 6,637 | - | 1, 2, 4, 5 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-9342 | 39,807 | - | 39,807 | - | 1, 2, 4 |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-9248 | 108,170 | - | 108,170 | - | 1, 2, 4 |

*The accompanying notes are an integral part of this schedule.*

# City of Issaquah
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2021

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-9691 | 980 | - | 980 | - | 1, 2, 4 |
| | **Total Highway Planning and Construction Cluster:** | | | **209,670** | **-** | **209,670** | - | |
| DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE | COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | N/A | - | 84,438 | 84,438 | - | 1, 2 |
| **Drinking Water State Revolving Fund Cluster** | | | | | | | | |
| ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Health) | Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DWL26021 | 2,558,085 | - | 2,558,085 | - | 1, 2, 4 |
| | **Total Drinking Water State Revolving Fund Cluster:** | | | **2,558,085** | **-** | **2,558,085** | - | |
| CDC NATIONAL CENTER FOR CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF | Drug-Free Communities Support Program Grants | 93.276 | N/A | - | 114,148 | 114,148 | 114,148 | 1, 2, 4 |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department) | COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 4481-DR-WA D20-501 | 23,581 | - | 23,581 | - | 1, 2, 4 |

*The accompanying notes are an integral part of this schedule.*

# City of Issaquah
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2021

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department) | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 4539-DR-WA 2020 (D20-2009) | 44,940 | - | 44,940 | - | 1, 2, 4 |
| | | | **Total CFDA 97.036:** | **68,521** | **-** | **68,521** | **-** | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department) | Emergency Management Performance Grants | 97.042 | E21-165 | 20,396 | - | 20,396 | - | 1, 2, 4 |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department) | Homeland Security Grant Program | 97.067 | SHSP FY19 - FLIR | 9,483 | - | 9,483 | - | 1, 2, 3 |
| | | | **Total Federal Awards Expended:** | **2,884,905** | **198,586** | **3,083,491** | **114,148** | |

*The accompanying notes are an integral part of this schedule.*

CITY OF ISSAQUAH

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2021

## Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of Issaquah's financial statements. The City of Issaquah uses the modified accrual basis of accounting for governmental funds and accrual basis for proprietary funds.

## Note 2 – Federal De Minimis Indirect Cost Rate

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

## Note 3 – Noncash Awards – Equipment

The City of Issaquah received equipment that was purchased with federal Homeland Security funds by the City of Seattle. The amount reported on the Schedule is the value of the property on the date it was received by the City of Issaquah and priced by the City of Seattle.

## Note 4 – Program Costs

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

Note 5 – Prior Year Expenditures Included in the SEFA

The SEFA includes $6,637.15 in prior year expenditures. The expenditures in that amount reported under the Award ID LA – 10061 (CFDA# 20.205), were incurred prior to 2021 and became eligible for reimbursement after the contract was finalized in 2021.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
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