



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of University Place

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

Published September 28, 2023

Report No. 1033381



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

September 28, 2023

Mayor and City Council
City of University Place
University Place, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of University Place'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, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of University Place January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of University Place 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 each of its major federal programs.

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

Identification of the Major Federal Program

The following program was selected as the major program in our audit of compliance in

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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 University Place January 1, 2022 - December 31, 2022

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

Audit Period: January 1, 2022 – December 31, 2022	Report Ref. No.: 1030796	Finding Ref. No.: 2021-001
Finding Caption: The City's internal controls were inadequate for ensuring proper revenue recognition for grant funds received in advance.		
Background: During 2021, the City received \$4,750,291 of American Rescue Plan Act of 2021 (ARPA) grant advance funds and incurred eligible ARPA expenditures of \$54,201. We found a deficiency in internal controls that represents a material weakness. Specifically, the City lacked the controls to ensure it reported unspent ARPA funds as unearned revenue, a liability, until the applicable eligibility requirements were met.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected </div> <div> <input type="checkbox"/> Partially Corrected </div> <div> <input type="checkbox"/> Not Corrected </div> <div> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>This issue has been communicated to appropriate City personnel. We have corrected the deficiency and instituted appropriate controls to ensure the accuracy of the City's financial reporting. We acknowledge that this error should have been identified by staff or caught during preparation and review of the financial statements. We have added a process to identify the type of grant more clearly in our system to ensure that monies are coded and reported correctly in the future. We also have added notes to the reconciliation documents related to grants and unearned revenues. We believe that the situation is now resolved.</i>		

INDEPENDENT AUDITOR'S REPORT

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

City of University Place January 1, 2022 through December 31, 2022

Mayor and City Council
City of University Place
University Place, 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 University Place, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

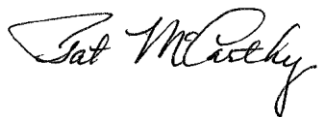
REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023

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 University Place
January 1, 2022 through December 31, 2022

Mayor and City Council
City of University Place
University Place, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of University Place, 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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

We noted certain other matters that we communicated to the management of the City in a separate letter dated September 21, 2023.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of University Place January 1, 2022 through December 31, 2022

Mayor and City Council
City of University Place
University Place, 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 University Place, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of University Place, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023

FINANCIAL SECTION

City of University Place January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet - Governmental Funds – 2022

Reconciliation of Governmental Funds Balance Sheet to Net Position of Governmental
Activities – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP
Basis) and Actual – General Fund – 2022

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

Notes to the Required Supplementary Information – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

City of University Place, WA Management's Discussion and Analysis

The management of the City of University Place offers readers of its financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial positions, and identify fund issues or concerns. The Management Discussion and Analysis (MD&A) is designed to focus on the report year's activities, resulting changes, and currently known facts. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the Letter of Transmittal in the introductory section and the Financial Statements that follow.

Financial Information

The City's government-wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The City's fund financial statements for governmental funds (General, Special Revenue, Debt Service, and Capital Projects) have been prepared on the modified accrual basis of accounting in conformity with GAAP. The City's proprietary funds (Enterprise and Internal Service) are accounted for on the accrual basis. A detailed discussion on government-wide and fund financial statements is provided later in this report.

Financial Highlights

Net Position - The assets and deferred outflows of the City of University Place exceeded its liabilities and deferred inflows at the close of the most recent year by \$113,818,036. Of this amount, \$43,919,845 is classified as restricted and unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position - The City's total net position increased by \$7,350,295. Of the \$7,350,295 increase, the Business-type activities contributed to an operating increase of \$369,891 before transfers out of \$8,233 resulting in an overall increase of \$361,658. The City transferred out \$8,233 for Surface Water Management related road maintenance and permitting costs. Governmental activities continue to provide growth due to the economic recovery which has brought growth in construction, real estate sales and higher assessed property values, all of which result in an increase in revenues. Sales tax increased in 2022 when compared to 2021. Increased single-family and multi-family residential construction in the City resulted in increased license and permit fees. Additionally, University Place has been the recipient of capital construction grants and contributions which have offset a significant amount of the cost of construction for various projects.

As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$40,067,288, an increase of \$6,515,324 in comparison with the prior year. Of this amount, \$17,791,149 is available for spending at the government's discretion (unassigned fund balance) and \$10,287,831 is restricted by legislation to specific purposes. The committed classification is established by Council ordinance for specific uses. Assigned classifications total \$11,988,308. Assigned and unassigned monies have been designated by management to address budget amendments, equipment replacement, street improvements, facility repairs, and property acquisitions. These monies assist in minimizing future debt and are intended to provide a cushion against significant downturns in revenue and to maintain sufficient working capital and cash flow to meet daily financial needs.

From the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, revenues, received primarily from property, sales, utility, and general taxes, were used to support the major activities of the City government:

- General Government – Administration, Finance, City Attorney, Human Resources, City Clerk, Community Information and Outreach, and Court Services;
- Public Safety – Police, Jail, Crime Prevention, Emergency Operations and Animal Control;
- Culture and Recreation – Parks Maintenance;
- Economic Environment – Planning, Development Services, Code Enforcement, and Economic Development;
- Transportation – Public Works, Streets, and Surface Water Management;
- Physical Environment – Building Maintenance and Property Management

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of University Place basic financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the required components, the City's annual report also includes other supplementary information. The first set of supplementary information is the Combining Statements. These provide Balance Sheets, Schedules of Revenues, Expenditures, and Changes in Fund Balances with Budget to Actual Comparisons, Statement of Net Position, and Cash Flows for all Non-Major Funds. The other set of supplementary information is the Statistical Section. This section provides a ten-year view of the City's revenues, expenditures, debt obligations and capacity, the City's largest taxpayers, and those entities with the largest employment within the City of University Place. This section provides a long-term perspective on the City's economy.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances in a manner that is similar to a private-sector business.

The Statement of Net Position presents information on all the City of University Place assets and liabilities, and deferred inflows/outflows of resources with the difference between the four 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 of University Place is improving or deteriorating. The focus of the Statement of Net Position is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (uncollected taxes and earned but unused vacation leave). This is intended to summarize and simplify the user's analysis of costs of various governmental services and/or subsidy to various business-type activities. The Governmental Activities reflects the City of University Place's basic functions: General Government; Public Safety; Physical Environment; Transportation; Economic Environment; and Culture and Recreation. Property, sales, and utility taxes finance the majority of these functions.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of University Place, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The focus is on Major Funds, rather than types. A Major Fund is defined in the following manner:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds); and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or
- Any other governmental or enterprise fund the government's officials believe is particularly important to financial statement users.

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 focus 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 flow and availability of liquid resources is a clear and appropriate focus of any analysis of government. Such information may be useful in evaluating a government's near-term financial requirements.

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

Funds are established for various purposes and the Fund Financial Statement allows for the demonstration of sources and uses and/or budgeting compliance associated therewith. These statements begin in the required supplemental information section. The City of University Place maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Works Capital Improvement Fund, Street Fund, and Debt Service Fund. All of these funds are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the other supplementary information described below.

The City of University Place adopts a biennial appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds maintained by the City include an enterprise fund and four internal service funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of University Place uses an enterprise fund to account for its Surface Water Management.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and equipment, information and technology systems, property management and risk management activities. Because these services benefit governmental functions they have been included within governmental activities in the government-wide financial statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information includes financial information and disclosures that are required by the Governmental Accounting Standards Board (GASB) but are not considered a part of the basic financial statements. Budgetary comparison schedules for certain major governmental funds are presented immediately following the notes to the basic financial statements.

Other Supplementary Information includes the combining statements for the non-major capital projects funds and budgetary comparison schedules for non-major capital projects funds and sub funds. These are presented immediately following the required supplementary information.

Government-wide Financial Analysis

The City has prepared the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The City's Proprietary Funds include all Internal Service Funds and an Enterprise Fund which are included in the governmental activities and business-type activities for the entity-wide statements. The following table reflects a Summary of Net Position for the year 2022 with comparative totals for 2021.

Table 1
Condensed Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 52,439,713	\$ 42,457,720	\$ 5,916,928	\$ 5,697,391	\$ 58,356,641	\$ 48,155,111
Capital assets and Leased assets	95,761,868	98,153,092	11,111,730	11,331,617	106,873,598	109,484,709
Total assets	148,201,581	140,610,812	17,028,658	17,029,008	165,230,239	157,639,820
Deferred outflows of resources	2,471,615	1,616,229	322,473	66,403	2,794,088	1,682,632
Liabilities						
Other liabilities	10,509,705	6,120,478	23,481	19,468	10,533,186	6,139,946
Non-current liabilities	40,944,727	42,321,006	274,944	148,249	41,219,671	42,469,255
Total liabilities	51,454,432	48,441,484	298,425	167,717	51,752,857	48,609,201
Deferred inflows of resources	2,116,010	3,671,440	337,424	574,070	2,453,434	4,245,510
Net position						
Net invested in capital assets	58,786,463	59,779,725	11,111,728	11,331,618	69,898,191	71,111,343
Restricted for						
Debt service	239,517	239,364	-	-	239,517	239,364
Pension	1,299,001	3,575,277	330,044	562,775	1,629,045	4,138,052
Capital facilities plan financing	2,887,910	3,283,408	-	-	2,887,910	3,283,408
Traffic impact-roadway improvements	3,988,909	3,067,029	-	-	3,988,909	3,067,029
Parks capital improvement	3,151,633	2,248,956	-	-	3,151,633	2,248,956
Other	19,862	21,433	-	-	19,862	21,433
Unrestricted	26,729,459	17,898,925	5,273,510	4,459,231	32,002,969	22,358,156
Total net position	\$ 97,102,754	\$ 90,114,117	\$ 16,715,282	\$ 16,353,624	\$113,818,036	\$106,467,741

There are five basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

- Net Result of Activities – which will impact (increase/decrease) current assets and unrestricted net position.
- Borrowing for Capital – which will increase current assets and long-term debt.
- Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, which is an increase in related net debt that will not change the net investment in capital assets.
- Principal Payment on Debt – which will reduce current assets and reduce long-term debt and will reduce unrestricted net position and increase net investment in capital assets.
- Reduction of Capital Assets through Depreciation – which will reduce capital assets and net investment in capital assets.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of University Place, assets and deferred outflows exceeded liabilities and deferred inflows by \$113,818,036 at the close of the most recent year.

By far the largest portion of the City of University Place net position (61.41 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of \$43,919,845 may be used to meet the City's ongoing obligations to citizens and creditors.

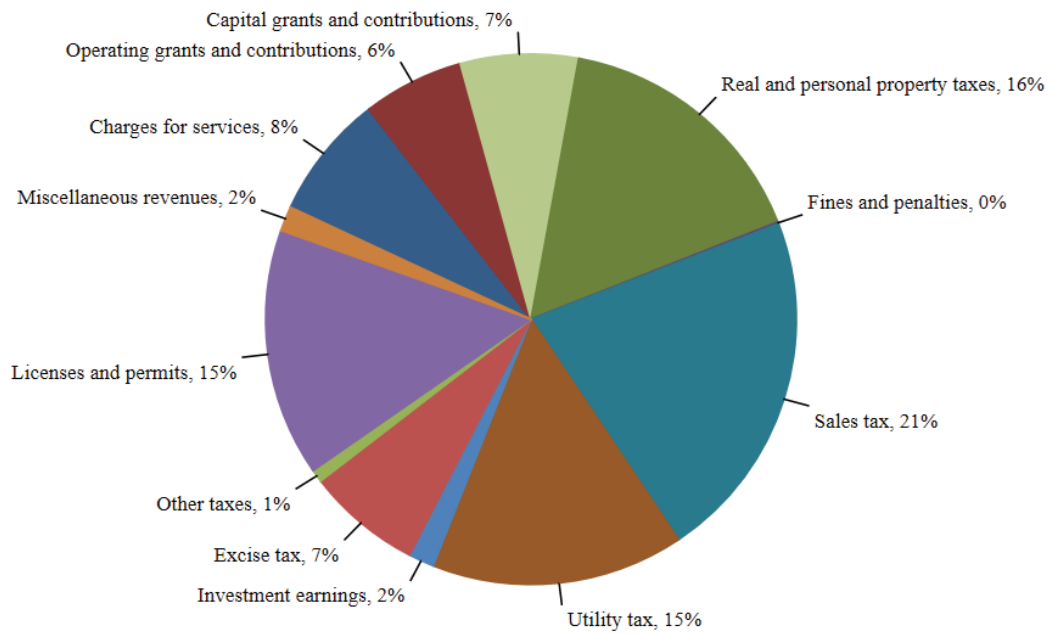
City of University Place's change in net position from the current year activities on the statement of activities increased by \$1,277,218. The City saw an increase in Utility tax due to newly implemented taxes in mid 2021.

City revenues are tracking as forecasted and the City is meeting, and will continue to meet, all operational and debt obligations according to the adopted budget. In August of 2019 Standard & Poor's Ratings Services raised its long-term rating on the City of University Place's outstanding general obligation (GO) bonds to AA+/ Outlook Stable from AA/ Outlook Stable. In January of 2019 Moody's Ratings Services raised its long-term rating on the City of University Place's outstanding general obligation (GO) bonds to Aa2/ Outlook from Aa3/ Outlook.

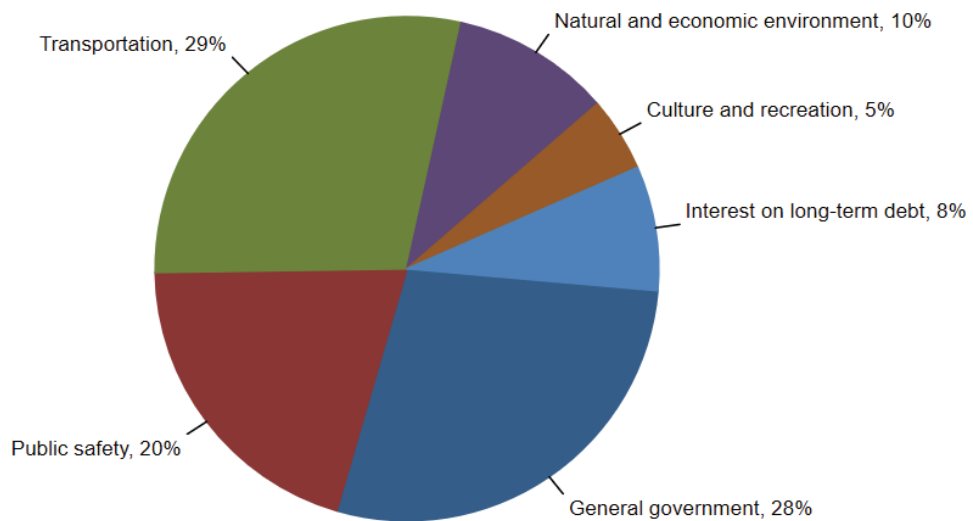
Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 2,168,954	\$ 1,573,515	2,834,644	2,828,943	\$ 5,003,598	\$ 4,402,458
Operating grants and contributions	1,766,842	1,745,608	16,440	-	1,783,282	1,745,608
Capital grants and contributions	2,052,306	625,379	-	-	2,052,306	625,379
General revenue						
Taxes						
Real and personal property	4,615,707	4,534,676	-	-	4,615,707	4,534,676
Sales	6,141,508	5,667,907	-	-	6,141,508	5,667,907
Utility	4,405,162	2,919,695	-	-	4,405,162	2,919,695
Excise and other	2,220,969	2,830,648	-	-	2,220,969	2,830,648
Licenses and permits	4,316,466	3,972,427	-	-	4,316,466	3,972,427
Fines and penalties	32,626	45,647	-	-	32,626	45,647
Miscellaneous revenues	432,814	236,657	-	4,658	432,814	241,315
Investment earnings	447,288	47,078	-	-	447,288	47,078
Gain on the sale of capital assets	-	120,000	173	-	173	120,000
Interest revenue from leases	14,308	-	-	-	14,308	-
Total revenues	28,614,950	24,319,237	2,851,257	2,833,601	31,466,207	27,152,838
Expenses						
General government	6,108,775	5,212,803	-	-	6,108,775	5,212,803
Public safety	4,402,738	4,126,057	-	-	4,402,738	4,126,057
Transportation	6,237,064	4,608,248	-	-	6,237,064	4,608,248
Natural and economic environment	2,211,952	2,319,589	-	-	2,211,952	2,319,589
Culture and recreation	1,035,926	1,017,258	-	-	1,035,926	1,017,258
Interest on long-term debt	1,732,539	1,890,165	-	-	1,732,539	1,890,165
Surface Water Management	-	-	2,481,366	2,061,301	2,481,366	2,061,301
Total expenses	21,728,994	19,174,120	2,481,366	2,061,301	24,210,360	21,235,421
Excess (deficiency) before contributions, special items, and transfers	6,885,956	5,145,117	369,891	772,300	7,255,847	5,917,417
Transfers	8,233	6,826	(8,233)	(6,826)	-	-
Insurance recoveries	94,448	155,660	-	-	94,448	155,660
Change in net position	6,988,637	5,307,603	361,658	765,474	7,350,295	6,073,077
Beginning net position	90,114,117	84,769,421	16,353,624	15,608,740	106,467,741	100,378,161
Prior period adjustments	-	37,093	-	(20,590)	-	16,503
Beginning net position restated	90,114,117	84,806,514	16,353,624	15,588,150	106,467,741	100,394,664
Ending net position	\$ 97,102,754	\$ 90,114,117	\$ 16,715,282	\$ 16,353,624	\$ 113,818,036	\$ 106,467,741

Revenues by Source Governmental Activities



Governmental Expenditures by Function



Financial Analysis of the City's Funds

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

Fund balances of governmental funds are classified according to five specifically defined categories. In order from most restrictive to least restrictive, these categories are Nonspendable, Restricted, Committed, Assigned and Unassigned. The classifications reflect the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. At the end of the year, the City of University Place's governmental funds reported combined ending fund balances of \$40,067,288. This represents an increase of \$6,515,324 from 2021. This increase was due primarily to an increase in federal grants for capital projects.

The General Fund saw a net fund balance increase of \$5,602,751. The city saw an unanticipated increase in Utility tax of \$1,148,000. This was a new tax implemented in mid-2021. Additionally, \$7,640,799 was budgeted for ARPA projects and only \$159,744 was spent. This project will occur in 2023. Expenditure savings include reduced interfund transfers needed for capital projects and IT capital expenses, salary savings from unfilled positions, and reduced professional service costs.

Variances in the Public Works Capital Improvement Fund are due to a reduction in transfers required for projects, resulting in a current year reported loss of \$757,390.

Proprietary funds. As previously noted, the City's proprietary funds are comprised of four internal service funds and one enterprise fund. The increase in the Surface Water Management (SWM) Fund balance is due primarily to fees collected that exceeded expenditures.

Budgetary Information

While the City utilizes a two year or biennial budget, each year is considered on its own merits for financial purposes. The 2022 budget is the second year of the current biennial budget cycle.

Sales tax revenues of \$4.29 million exceeded the budget estimate of \$3.40 million. Increased revenues were received in the Retail Trade category from increased online purchases due. Additionally, we saw increase in the Construction category due to a large multi-family apartment project and continued residential building.

Utility tax revenues of \$3.37 million exceeded the budget estimate of \$3.15 million. In 2021, new taxes for electric, water and sewer were implemented. Sewer utility tax exceeded our budget estimate and Electric and Water came in under budget estimates. 2022 was the first full year of collection. We continue to see a drop in cellular and telephone utility taxes.

Fuel tax revenues remain lower than average due to continued Covid19 impacts and employers continuing remote work. Revenues in the amount of \$695,193 were below our budget estimate of \$751,688.

Investment income has rebounded after COVID-19 pandemic created turbulence in the global financial markets and propelled investors into a race for liquidity. Revenues in the amount of \$751,688 exceeded our budget estimate of \$79,600.

Real Estate Excise taxes of \$1,639,953 exceeded the budgeted amount of \$1,461,006. This is down from 2021 revenues of \$1,988,874 due to a cooling in the real estate market. The University Place School District is highly sought after and continues to bring families to the City.

On the expenditure side, Contingency funds in the amount of \$344,103 budgeted in the General Fund went unspent. These funds are budgeted at 2% of operating expenditures for use for unanticipated expenses and require City Council approval to spend.

The General fund transfer of \$291,058 to Information services for the Computer Hardware and Software replacements were under the budget amount of \$1,249,908 by \$958,850 due to projects being delayed. \$963,442 of the unspent funds will be carried forward to 2023.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental activities as of December 31, 2022 amounts to \$95,761,868 (net of accumulated depreciation), which is a decrease of \$2,391,224 from 2021. The additions are from a combination of new capital assets that includes land, buildings, machinery, equipment and software, infrastructure and construction in progress. The following table summarizes capital assets for the current year and a comparison with year 2021.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	2022 Total Governmental Activities	2021 Total Governmental Activities
Land	\$ 21,552,870	\$ 21,552,870
Easement	3,648,394	3,314,291
Buildings	27,817,223	29,093,403
Equipment and software	1,157,430	1,303,073
Infrastructure	37,800,807	39,424,697
Equipment - right to use	37,558	-
Construction in progress	3,747,586	3,464,758
Total	<u>\$ 95,761,868</u>	<u>\$ 98,153,092</u>

	2022 Total Business-type Activities	2021 Total Business-type Activities
Equipment and software	\$ 282,347	\$ 316,086
Infrastructure	9,807,171	10,103,045
Construction in progress	1,022,212	912,486
Total	<u>\$ 11,111,730</u>	<u>\$ 11,331,617</u>

Additional information on the City's capital assets can be found in Note 3 of the Notes to the Financial Statements.

The City of University Place had total long-term debt outstanding of \$39,480,000 which is comprised of General obligation bonds.

The following table summarizes long-term debt for the current year and a comparison with year 2021.

Table 4
Outstanding Debt at Year-End

	2022	2021
Governmental		
General obligation bonds	\$ 39,480,000	\$ 41,310,000
Total	<u>\$ 39,480,000</u>	<u>\$ 41,310,000</u>

Washington State law provides a maximum debt limit for general obligations. A city may incur debt equal to 1.5% of the City's assessed value without a vote of the people and debt for general government equal to 2.5% of the assessed value with a vote of the people. An additional 2.5% of assessed value may be incurred to finance water, sewer, and parks projects, also with a vote of the people. Based on the assessed value of property in University Place, the City's outstanding debt, subject to the State of Washington constitutional limits, the City had debt capacity on December 31, 2022 and the City may issue non-voted debt at this time.

Note 3 of the Basic Financial Statements identifies the City's long-term debt and provides additional detail regarding the City's outstanding debt.

Economic Factors and the Next Year's Budgets and Rates

The State of Washington, by constitution, does not have a state personal income tax and therefore the state operates primarily using property, sales, business and occupation, and gasoline taxes. Local governments (cities, counties, school districts) primarily rely on property and a limited array of other taxes (sales, utility, admission, and business and occupation) and fees (franchise, licenses, development services, etc.) for their governmental activities. There are a limited number of state-shared revenues (i.e., gas taxes, liquor excise taxes, liquor profits taxes, etc.) and recurring and non-recurring grants from both the state and federal government.

For the business-type and certain governmental activities (permitting, recreation programs, etc.) the user pays a related fee or charge associated therewith.

The level of taxes, fees and charges for services (including development related mitigation fees) will have a bearing on the specific City's competitive ability to encourage retail, office, residential, and industrial development to locate in their jurisdiction. The City places significant emphasis on encouraging economic development.

The 2023/2024 biennial budget ensures operating expenditures are within the constraints of available operating revenues and does not use reserves to balance the budget.

An issue we need to recognize is the competition among local and regional governments for a portion of the property tax. One of these is Sound Transit's additional tax in support of its ST3 initiative. Property taxes are the primary source of revenue for municipalities and special districts, such as, school districts, library districts, and fire districts. Increased property taxes imposed by Sound Transit will have an adverse impact on the ability of local special service districts access to funds in support of new schools, library services and fire services.

Local governments also must deal with the potential costs of unfunded State and Federal mandates. The State Supreme Court McCleary decision on public education funding and reform has left the State with significant budgetary challenges that could negatively impact local governments.

Requests for Information

This financial report is designed to provide a general overview of the City of University Place's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of University Place Finance Department, 3609 Market Place W, Suite 200, University Place, WA 98466-4488, telephone 253-566-5656, or visit the City's website at www.CityofUP.com.

City of University Place, WA
Statement of Net Position
As of December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 34,992,716	\$ 4,447,243	\$ 39,439,959
Investment	11,478,001	-	11,478,001
Receivables - net	506,457	-	506,457
Lease receivable	150,623	-	150,623
Interest receivables from leases	1,105	-	1,105
Internal balances	(860,572)	860,572	-
Prepaid expense	50,388	-	50,388
Due from other governments	4,133,648	39,233	4,172,881
Total current assets	50,452,366	5,347,048	55,799,414
Non-current assets			
Long-term receivables	31,003	239,836	270,839
Lease receivable	657,343	-	657,343
Net Pension Asset	1,299,001	330,044	1,629,045
Capital assets and Leased assets			
Capital assets, not being depreciated	28,948,850	1,022,212	29,971,062
Capital assets, being depreciated	66,813,018	10,089,518	76,902,536
Total capital assets and leased assets	95,761,868	11,111,730	106,873,598
Total non-current assets	97,749,215	11,681,610	109,430,825
Total assets	148,201,581	17,028,658	165,230,239
Deferred outflows of resources			
Deferred outflows related to pensions	1,299,486	322,473	1,621,959
Deferred loss bond refunding	1,172,129	-	1,172,129
Total deferred outflows of resources	2,471,615	322,473	2,794,088
Liabilities			
Current liabilities			
Accounts payable	630,588	6,405	636,993
Accrued payroll and employee benefits	68,724	16,911	85,635
Interest payable	433,234	-	433,234
Retainage payable	1,167	-	1,167
Unearned revenue	9,371,049	-	9,371,049
Due to other governments	-	165	165
Other current liabilities	4,943	-	4,943
Long-term debt due in less than 1 year	2,167,404	28,047	2,195,451
Total current liabilities	12,677,109	51,528	12,728,637
Non-current liabilities			
Due in more than 1 year	38,029,719	56,947	38,086,666
Net pension liability	747,604	189,950	937,554
Total non-current liabilities	38,777,323	246,897	39,024,220
Total liabilities	51,454,432	298,425	51,752,857
Deferred inflows of resources			
Deferred inflows related to pensions	1,327,112	337,424	1,664,536
Deferred inflows - lease Revenue	788,898	-	788,898
Total deferred inflows of resources	2,116,010	337,424	2,453,434
Net position			
Net investment in capital assets	58,786,463	11,111,728	69,898,191
Restricted for			
Debt service	239,517	-	239,517
Pension	1,299,001	330,044	1,629,045
Capital facilities plan financing	2,887,910	-	2,887,910
Traffic impact-roadway improvements	3,988,909	-	3,988,909
Parks capital improvement	3,151,633	-	3,151,633
Other	19,862	-	19,862
Unrestricted	26,729,459	5,273,510	32,002,969
Total net position	\$ 97,102,754	\$ 16,715,282	\$ 113,818,036

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Statement of Activities
For the Year Ended December 31, 2022

Function/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
Primary Government:						
Governmental activities:						
General government	\$ 6,108,775	\$ 14,067	\$ 880,128	\$ -	\$ (5,214,580)	\$ -
Public safety	4,402,738	8,788	191,521	-	(4,202,429)	-
Utilities	-	581,548	-	-	581,548	-
Transportation	6,237,064	-	695,193	2,049,185	(3,492,686)	-
Natural and economic environment	2,211,952	1,563,926	-	-	(648,026)	-
Culture and recreation	1,035,926	625	-	3,121	(1,032,180)	-
Interest on long-term debt	1,732,539	-	-	-	(1,732,539)	-
Total governmental activities	21,728,994	2,168,954	1,766,842	2,052,306	(15,740,892)	-
Business-type activities:						
Surface water management	2,481,366	2,834,644	16,440	-	-	369,718
Total business-type activities	2,481,366	2,834,644	16,440	-	-	369,718
Total primary government	\$ 24,210,360	\$ 5,003,598	\$ 1,783,282	\$ 2,052,306	\$ (15,740,892)	\$ 369,718
General Revenues:						
Taxes						
Real and personal property					\$ 4,615,707	\$ -
Sales					6,141,508	-
Utility					4,405,162	-
Excise and other					2,220,969	-
Other revenue					4,781,906	-
Investment earnings					447,288	-
Gain on the sale of capital assets					-	173
Interest revenue from leases					14,308	-
Total general revenues					22,626,848	173
Transfers					8,233	(8,233)
Insurance recoveries					94,448	-
Change in net position					6,988,637	361,658
Net position, beginning of year					90,114,117	16,353,624
Net position, beginning of year restated					90,114,117	16,353,624
Net position, end of year					\$ 97,102,754	\$ 16,715,282

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Balance Sheet
Governmental Funds
December 31, 2022

	General Funds	Public Works CIP	Street	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and equivalents	\$ 24,555,310	\$ 3,296,695	\$ 3,402,883	\$ 239,517	\$ 3,202,274	\$ 34,696,679
Investments	11,478,001	-	-	-	-	11,478,001
Accounts receivables	500,405	-	1,167	-	-	501,572
Due from other government units	2,252,368	1,589,415	288,744	-	3,121	4,133,648
Prepaid items	2,778	10,160	-	-	-	12,938
Impact fee deferral	31,003	-	-	-	-	31,003
Total assets	<u>\$ 38,819,865</u>	<u>\$ 4,896,270</u>	<u>\$ 3,692,794</u>	<u>\$ 239,517</u>	<u>\$ 3,205,395</u>	<u>\$ 50,853,841</u>
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ 294,837	\$ 214,263	\$ 47,712	\$ -	\$ 26,015	\$ 582,827
Accrued salaries and wages	51,903	3,438	8,015	-	-	63,356
Accrued liabilities	4,943	-	-	-	-	4,943
Retainage payable	1,167	-	-	-	-	1,167
Unearned revenue	9,358,821	-	-	-	635	9,359,456
Total liabilities	<u>9,711,671</u>	<u>217,701</u>	<u>55,727</u>	<u>-</u>	<u>26,650</u>	<u>10,011,749</u>
Deferred inflows of resources						
Unavailable revenue	46,014	728,790	-	-	-	774,804
Total deferred inflows of resources	<u>46,014</u>	<u>728,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>774,804</u>
Fund balances						
Restricted						
Capital facilities plan financing	2,887,910	-	-	-	-	2,887,910
Traffic impact-roadway improvements	351,842	-	3,637,067	-	-	3,988,909
Donations	-	-	-	-	19,862	19,862
Parks capital improvement	-	-	-	-	3,151,633	3,151,633
Debt	-	-	-	239,517	-	239,517
Assigned						
Public safety	8,031,279	-	-	-	-	8,031,279
Public works capital improvement	-	3,949,779	-	-	-	3,949,779
Municipal facilities capital improvements	-	-	-	-	7,250	7,250
Unassigned	<u>17,791,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,791,149</u>
Total fund balances	<u>29,062,180</u>	<u>3,949,779</u>	<u>3,637,067</u>	<u>239,517</u>	<u>3,178,745</u>	<u>40,067,288</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,819,865</u>	<u>\$ 4,896,270</u>	<u>\$ 3,692,794</u>	<u>\$ 239,517</u>	<u>\$ 3,205,395</u>	<u>\$ 50,853,841</u>

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Reconciliation of Governmental Fund Balances
To Net Position of Governmental Activities
December 31, 2022

Total fund balances - governmental funds	\$	40,067,288
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The total net position reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Internal service funds amounts are not reflected in these balances, they are reported below with the Internal service fund amounts.

Capital assets, not being depreciated	28,948,850	
Capital assets being depreciated	244,457,658	
Accumulated depreciation	<u>(177,930,671)</u>	
Total capital assets net of accumulated depreciation		95,475,837

Deferred outflows of resources are not reported in the governmental funds:

Deferred loss on bond refunding		1,172,129
Deferred outflows for employer contributions		1,215,939

Internal service fund costs of certain activities, such as insurance, technology services and fleet operations to individual governmental funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position

Internal service funds change in net position		476,559
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Internal service funds change in net position		76,821
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Other assets not available in the current period and therefore are not reported in the governmental funds:

Internal balances	<u>(860,572)</u>	
Total other assets not available in current period		(860,572)

Long-term liabilities and related accrued interest are not due and payable in the current and therefore are not reported in the governmental funds:

Debt and notes payable		
General obligation bonds	(39,774,364)	
Accrued compensated absences	(656,206)	
Interest payable	(138,841)	
Net pension activity	<u>515,785</u>	
Total long-term liabilities and related accrued interest		(40,053,626)

Deferred inflows reported in the funds are considered financial resources for governmental activities

Other unavailable revenues	773,996	
Deferred inflows related to pension	<u>(1,241,617)</u>	
Total deferred inflows		(467,621)

Net Position of Governmental Activities	\$	<u><u>97,102,754</u></u>
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The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General Funds	Public Works CIP	Street	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 16,639,316	\$ -	\$ 747,746	\$ -	\$ -	\$ 17,387,062
Licenses and permits	3,786,192	-	530,274	-	-	4,316,466
Intergovernmental	1,071,649	1,427,460	695,193	-	3,121	3,197,423
Charges for services	1,261,788	-	-	-	905,968	2,167,756
Miscellaneous						
Fines and forfeitures	32,626	-	-	-	-	32,626
Rental, concessions and sales	8,745	-	-	-	-	8,745
Investment earnings	441,688	-	-	-	-	441,688
Contributions	6,000	-	-	-	7,922	13,922
Other revenues	18,114	-	24,430	153	164,649	207,346
Total revenues	<u>23,266,118</u>	<u>1,427,460</u>	<u>1,997,643</u>	<u>153</u>	<u>1,081,660</u>	<u>27,773,034</u>
Expenditures						
Current						
General government	3,992,525	94,999	80,986	-	-	4,168,510
Public safety	4,442,913	-	-	-	-	4,442,913
Transportation	417,091	1,140,645	2,088,682	-	-	3,646,418
Natural and economic environment	2,215,514	110,556	-	-	-	2,326,070
Culture and recreation	741,446	-	-	-	9,493	750,939
Capital outlay	5,499	1,464,680	-	-	216,007	1,686,186
Debt service						
Principal retirement	-	-	-	1,830,000	-	1,830,000
Interest expense	-	-	-	1,760,925	-	1,760,925
Total expenditures	<u>11,814,988</u>	<u>2,810,880</u>	<u>2,169,668</u>	<u>3,590,925</u>	<u>225,500</u>	<u>20,611,961</u>
Excess (deficiency) of revenues over expenditures	<u>11,451,130</u>	<u>(1,383,420)</u>	<u>(172,025)</u>	<u>(3,590,772)</u>	<u>856,160</u>	<u>7,161,073</u>
Other financing sources/uses						
Transfers in	-	626,030	891,227	3,590,925	-	5,108,182
Transfers out	(5,848,379)	-	-	-	-	(5,848,379)
Insurance recovery	-	-	94,448	-	-	94,448
Total other financing sources/uses	<u>(5,848,379)</u>	<u>626,030</u>	<u>985,675</u>	<u>3,590,925</u>	<u>-</u>	<u>(645,749)</u>
Net change in fund balances	5,602,751	(757,390)	813,650	153	856,160	6,515,324
Fund balances, beginning of year	<u>23,459,429</u>	<u>4,707,169</u>	<u>2,823,417</u>	<u>239,364</u>	<u>2,322,585</u>	<u>33,551,964</u>
Fund balances, end of year	<u>\$ 29,062,180</u>	<u>\$ 3,949,779</u>	<u>\$ 3,637,067</u>	<u>\$ 239,517</u>	<u>\$ 3,178,745</u>	<u>\$ 40,067,288</u>

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Reconciliation of The Statement of Revenue, Expenditures,
And Changes In Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2022

Net changes in fund balances - total governmental funds \$ 6,515,324

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. Amounts related to capital assets are reported below. Internal service funds amounts are not reflected in these balances, they are reported below with the Internal service fund amounts.

Capital assets reclassified from capital outlay	1,864,813	
Depreciation Expense	<u>(4,277,540)</u>	(2,412,727)

Pension expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		491,274
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Expenses for compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(6,654)
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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 has any effect on net position. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt principal repayments	1,830,000	
Interest expense	<u>28,804</u>	1,858,804

Unavailable revenue not reported in the funds are considered financial resources for governmental activities.		624,809
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Internal service funds are used by management to charge the costs of insurance and information services to individual funds. The net revenue of the internal service funds is reported with the governmental activities.

Internal service funds change in net position	76,821	
Internal service look back adjustment to zero out Business activities transfers	<u>(159,014)</u>	(82,193)

Change in net position of governmental activities		<u>\$ 6,988,637</u>
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The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Statement of Net Position
Proprietary Funds
As of December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Major Fund		Gov. Activities
	Surface Water Mgmt	Total	Internal Service Funds
Assets			
Current assets			
Cash and equivalents	\$ 4,447,243	\$ 4,447,243	\$ 296,037
Accounts receivables	-	-	4,885
Due from other government units	39,233	39,233	-
Prepaid items	-	-	37,450
Lease receivables	-	-	150,623
Interest receivable	-	-	1,105
Total current assets	4,486,476	4,486,476	490,100
Noncurrent assets			
Net pension asset	330,044	330,044	83,896
Lease receivables	-	-	657,343
Notes Receivable	239,836	239,836	-
Capital assets			
Leased Assets, net	\$ -	\$ -	\$ 37,558
Depreciable & CIP capital assets	20,654,974	20,654,974	1,875,107
Less: accumulated depreciation	(9,543,244)	(9,543,244)	(1,626,634)
Total capital assets	11,111,730	11,111,730	248,473
Total assets	16,168,086	16,168,086	1,517,370
Deferred outflows of resources			
Deferred outflows related to pensions	322,473	322,473	83,547
Total deferred outflows of resources	322,473	322,473	83,547
Liabilities			
Current liabilities			
Accounts payable	6,405	6,405	47,762
Accrued salaries and wages	16,911	16,911	-
Accrued liabilities	-	-	5,368
Due to other governments	165	165	-
Accrued interest payable	-	-	29
Unearned revenue	-	-	10,785
Compensated absences	28,047	28,047	7,660
Lease liability	-	-	18,196
Total current liabilities	51,528	51,528	89,800
Noncurrent Liabilities			
Compensated absences	56,947	56,947	15,553
Net pension liability	189,950	189,950	48,284
Lease liability	-	-	19,507
Total noncurrent liabilities	246,897	246,897	83,344
Total liabilities	298,425	298,425	173,144
Deferred inflows of resources			
Deferred inflows related to pensions	337,424	337,424	85,495
Deferred inflows - Lease revenue	-	-	788,898
Total deferred inflows of resources	337,424	337,424	874,393
Net position			
Invested in capital assets	11,111,728	11,111,728	248,327
Restricted for pensions	330,044	330,044	83,896
Unrestricted	4,412,938	4,412,938	221,157
Total net position	\$ 15,854,710		\$ 553,380

Reconciliation to government-wide statement of net position:

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.

	860,572
Net position of business-type activities	<u>\$ 16,715,282</u>

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>		
	<u>Surface Water Mgmt</u>	<u>Total</u>	<u>Gov. Activities Internal Service Funds</u>
Operating Revenues:			
Charges for services	\$ 2,834,644	\$ 2,834,644	\$ 1,139,016
Intergovernmental	16,440	16,440	-
Miscellaneous	-	-	186,548
Total operating revenues	<u>2,851,084</u>	<u>2,851,084</u>	<u>1,325,564</u>
Operating Expenses:			
Salaries and employee benefits	1,011,798	1,011,798	429,250
Materials and supplies	61,057	61,057	190,801
Travel	6	6	-
Services and charges	1,002,759	1,002,759	1,119,164
Insurance claims and expenses	-	-	172,557
Depreciation	564,760	564,760	94,989
Amortization expense	-	-	20,555
Total operating expenses	<u>2,640,380</u>	<u>2,640,380</u>	<u>2,027,316</u>
Operating income (loss)	<u>210,704</u>	<u>210,704</u>	<u>(701,752)</u>
Nonoperating revenue (expenses):			
Interest expense	-	-	(418)
Gain (Loss) on disposal of assets	-	-	16,253
Interest revenue from leases	-	-	14,308
Proceeds from sale of assets	173	173	-
Total nonoperating revenue (expenses)	<u>173</u>	<u>173</u>	<u>30,143</u>
Income (loss) before transfers	210,877	210,877	(671,609)
Transfers in	-	-	748,430
Transfers out	(8,233)	(8,233)	-
Change in net position	202,644	202,644	76,821
Net position, beginning of year	15,652,066		476,559
Net position, end of year	<u>\$ 15,854,710</u>		<u>\$ 553,380</u>

Reconciliation to government-wide statement of net position:

Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.

	159,014
Change in net assets of business-type activities	<u>\$ 361,658</u>

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>Surface Water Mgmt</u>	<u>Total</u>	<u>Gov. Activities Internal Service Funds</u>
Cash from operating activities:			
Cash receipts from customers	\$ 2,605,854	\$ 2,605,854	\$ 1,252,557
Cash paid to employees for services	(924,216)	(924,216)	(380,654)
Cash paid to suppliers for goods and services	(1,063,504)	(1,063,504)	(1,476,779)
Cash paid for employee benefits	(217,171)	(217,171)	(70,895)
Cash receipts from operating grants or subsidies	12,509	12,509	-
Cash paid for insurance claims	-	-	(172,557)
Cash received for other purposes	-	-	13,412
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>413,472</u>	<u>413,472</u>	<u>(834,916)</u>
Cash from noncapital financing activities:			
Cash receipts/(payments) from transfers from other funds	(8,233)	(8,233)	748,430
Cash receipts from interest revenue from leases	-	-	14,308
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(8,233)</u>	<u>(8,233)</u>	<u>762,738</u>
Cash from capital and related financing activities:			
Proceeds/(loss) from retirement of assets	173	173	16,253
Cash payments to acquire, construct or improve capital assets	(344,878)	(344,878)	(78,935)
Cash paid to acquire right of use assets	-	-	(58,113)
Cash paid for lease liability	-	-	37,732
Cash paid for interest expense	-	-	(419)
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(344,705)</u>	<u>(344,705)</u>	<u>(83,482)</u>
Net increase (decrease) in cash and cash equivalents	<u>60,534</u>	<u>60,534</u>	<u>(155,660)</u>
Cash and cash equivalents, beginning of year	<u>4,386,709</u>	<u>4,386,709</u>	<u>451,697</u>
Cash and cash equivalents, end of year	<u>\$ 4,447,243</u>	<u>\$ 4,447,243</u>	<u>\$ 296,037</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income(loss)	\$ 210,704	\$ 210,704	\$ (701,753)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	564,760	564,760	115,544
Changes in assets and liabilities:			
Accounts receivable	11,047	11,047	(1,973)
Due from other governments	(3,931)	(3,931)	-
Lease receivable	-	-	(809,070)
Note receivable	(239,836)	(239,836)	-
Accrued compensated absences	(9,552)	(9,552)	2,889
Accounts payable	316	316	(166,815)
Accrued benefits	3,697	3,697	502
Net pension liability	136,252	136,252	28,464
Net Pension Asset	232,731	232,731	123,834
Deferred inflows/outflows for employer contributions	(492,716)	(492,716)	(177,986)
Deferred inflows - lease revenue	-	-	788,898
Prepays and deposits payable	-	-	(37,450)
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities:	<u>\$ 413,472</u>	<u>\$ 413,472</u>	<u>\$ (834,916)</u>

The accompanying notes are an integral part of these financial statements.

City of University Place, WA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	<u>Custodial Fund</u>
Assets	
Cash and equivalents	\$ 2,108
Total assets	<u>2,108</u>
Liabilities	
Accounts payable	<u>2,108</u>
Total liabilities	<u>2,108</u>
Net position	
Restricted	<u>-</u>
Total net position	<u>\$ -</u>

City of University Place, WA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	<u>Custodial Fund</u>
Additions:	
State fees collected	\$ 5,558
Leasehold excise tax	<u>16,525</u>
Total additions:	<u>22,083</u>
Deductions:	
Distributions to state	<u>22,083</u>
Total deductions	<u>22,083</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of University Place, Pierce County, Washington was incorporated on August 31, 1995 and operates under the laws of the State of Washington applicable to an Optional Municipal Code City (RCW 35A) with a Council-Manager form of government. As required by the generally accepted accounting principles the financial statements present The City of University Place, the primary government, and its component units. The component units discussed below are included in the City of University Place reporting entity because of the significance of its operational or financial relationship with the City.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity and activity of the internal service funds has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation between the Governmental and Business-type activities. 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. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the City are organized on the basis of funds. Each fund is a separate accounting entity with a self-balancing set of accounts. The City's resources are allocated to and accounted for in individual funds according to the purpose for which they are spent and how they are controlled. There are two categories of funds – governmental and proprietary. A description of the fund categories is provided below.

The City reports the following major governmental funds:

General Fund

The City of University Place's General (or current expense) Fund accounts for all current financial resources not required by law or administrative action to be accounted for in another fund. It is the largest accounting entity in the City and provides for most of the general government operations. The major revenue sources to the fund are general tax revenues. Licenses and permits, charges for services, and investment interest also provide support.

Street Fund

The Street Fund was established in accordance with RCW 35A.37.010 to account for maintenance and improvement of the City's street and traffic control systems. The Transportation Benefit District was established to account for vehicle license fee collected. The fees are collected to fund maintenance, preservation, and safety enhancements to University Place's existing transportation network. This activity is being reported in the Street Fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for and the payment of principal and interest for Council-approved general obligation bonds. The City of University Place pledges its full faith and credit for payment of these obligations.

Public Works Capital Improvement Fund

The Public Works Capital Improvement Fund was established to account for receipts and disbursements related to the acquisition, design, construction, and any other related street, traffic, or surface water management project expenditures. Revenues supporting this fund's activities include bond proceeds, grant proceeds, interfund transfers and other revenue sources as may be authorized by the City Council.

The City reports the following major enterprise fund:

Surface Water Management Fund

The Surface Water Management Fund was established to administer and account for all receipts and expenditures related to the City's surface and storm water management system. Activities that are primarily supported by user fees include administration, billings and collections, engineering, construction, operation, maintenance, and repairs.

The City reports the following non-major governmental funds:

Special Revenue Funds

These funds account for revenues derived from specific taxes or other earmarked revenue sources, including state gas tax and state revenue sharing entitlements, which are legally restricted to expenditures for specified purposes..

The *Donations Fund* was established to receive donations designated for specific purposes identified by the donor.

Parks Capital Improvement Fund

The Parks Capital Improvement fund was established to account for receipts and disbursements related to acquisition, design, construction, and any other related parks capital expenditures. Park impact fees and transfers from the REET Fund and the General Fund is the source of revenues for this fund.

CITY OF UNIVERSITY PLACE, WA NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Municipal Facilities Capital Improvement Fund

The Municipal Facilities Capital Improvement fund was established to account for receipts and disbursements related to acquisition, design, construction, and any other related facility expenditures. A transfers from the General Fund and the REET Fund is the source of revenue for this fund.

The City reports the following four Internal Service funds on a consolidated basis.

Internal Service Funds

These funds (Fleet and Equipment, Information Technology and Services, Property Management and Risk Management) are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis.

As a general rule the effect of the inter-fund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *Fleet and Equipment Fund* is an internal service fund which accounts for the costs of maintaining and replacing the majority of the City's vehicles and auxiliary equipment. All equipment costs, including depreciation, are factors in calculating the rates that are charged to each user department.

The *Information Technology and Services Fund* is an internal service fund which accounts for all costs associated with data processing, telecommunications, cable, postal operations, copier and duplication services, and the Geographical Information System (GIS). This fund owns and depreciates all non-proprietary fund assets related to these functions, and charges users for both maintenance and operation costs and equipment replacement charges based on depreciation schedules.

The *Property Management Fund* is an internal service fund which accounts for all costs associated with the maintenance and operation of City-owned buildings. Replacement, recovery, maintenance, and operation costs are charged to other City funds and departments for such facilities and furnishings.

The *Risk Management Fund* is an internal service fund which accounts for the City's risk financing activities established to minimize the adverse effects of losses associated with property and casualty, medical and dental, unemployment, and worker's compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is a member of Washington Cities Insurance Authority (WCIA), which offers a combination of self-insurance, or standard insurance to cover liability and property risks. The City is currently only self-insuring State Unemployment Compensation.

The Strategic Reserve Fund was established by Ordinance 179 to set aside financial resources for mitigating adverse situations caused by severe short-term revenue shortfalls, expenditures resulting from emergencies, or as otherwise designated by the City Council. The fund is financed by transferring unassigned fund balance in the General Fund at the end of each calendar year or by other appropriation, as deemed appropriate by the City Council. This fund is a recourse of last resort and shall be used only when no other reasonable financial management alternative exists. This fund maintains a fund balance in the unassigned category with a balance of \$2,286,824.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of accounting refers to the recognition of revenues and expenditures or expenses in the accounts and reporting them in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

The **accrual** basis of accounting recognizes revenues when they are earned and expenses are recorded when incurred. All assets and liabilities are recorded in the fund.

The **modified accrual** basis of accounting recognizes revenues and other financial resources when they become susceptible to accrual, i.e., when the related funds become both measurable and available to finance expenditures of the current period. “Measurable” means the amount of the transaction can be determined. To be considered “available”, revenue typically must be collected within sixty days after year-end.

Expenditures are recorded when the fund liability is incurred, except for principal and interest on general long-term debt, and vacation and sick pay which are recorded when paid.

The effect of interfund activity has been eliminated from the government-wide financial statements so that expenses are not reported twice. Amounts reported on the government-wide statements as program revenues include charges to customers or applicants for goods, operating grants and contributions, and capital grants and contributions. General revenues include all taxes. Major revenues recorded on the modified accrual basis are:

Property Taxes – Pierce County acts as the City’s collection agent for these taxes. Once a month, the County electronically transmits to the City the taxes that it has collected on the City’s behalf in the prior month. On this basis, property taxes received in January are considered both measurable and available and therefore are recognized as revenue in the current year.

Other Locally Levied Taxes – Pierce County also acts as the City’s collection agent for the one quarter percent and optional one quarter percent real estate excise taxes. Although a time lag occurs in payment of these taxes to the City, since the taxes are actually collected by Pierce County in December and receipted to the City within 10 days after the end of the year, they are considered to be both measurable and available, and therefore are accrued as revenue at year-end. The State of Washington acts as the City’s collection agency for the locally levied sales tax. The sales tax is distributed monthly and remitted to the City in the following month. It is both measurable and available and is therefore accrued as revenue at year-end.

Grant Revenues – Under Section G60.109 of the Codification of Governmental Accounting and Financial Reporting Standards, revenues for cost reimbursement grants are determined to be earned, and therefore available, at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Shared Revenues – Revenues that have been collected but not remitted by an intermediary collection agency to the City are considered measurable and available.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other Revenue Sources – Other items recognized as revenue in the current year on the modified accrual basis include investment interest earned but not received at year-end; operating transfers, interfund, and intergovernmental service billings related to services provided in the current year which are outstanding at year-end; and any other material revenue amounts determined to be both measurable and available under current modified accrual accounting practices. Revenues not considered to meet the criteria for recognition on the modified accrual basis include licenses and permits, fines and forfeitures, and other miscellaneous revenues which are not generally measurable until received.

Biennial appropriated budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Managerial Funds are adopted at the fund level. They are presented as separate budgets but are reported within the General fund actuals on the financial statements.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

The individual funds within each fund type, which are included in the City's biennial operating budget, are listed below. These funds are budgeted for on a biennial basis.

General Fund

Special Revenue Funds:

Street Fund
Donations Fund

Debt Service Funds:

Debt Service Funds

Capital Projects Funds:

Municipal Facilities CIP Fund
Parks Capital Projects Fund
Public works CIP Fund

Enterprise Funds:

Surface Water Management Fund

Managerial Funds:

Strategic Reserve Fund
Police/Public Safety Fund
Traffic Impact Fees Fund
Real Estate Excise Tax Fund

Fiduciary Funds

Custodial Fund

The City's budget process and the time limits under which the budget must be prepared are defined by the Revised Code of Washington (RCW) 35A.34. The procedures followed in establishing the biennial budget are described below:

- ◇ By late May, the official budget call is made by the Finance Director for current level service budgets and a preliminary financial forecast.
- ◇ By late July, departments submit their preliminary expenditure estimates and the Finance Department updates the preliminary revenue estimates to define resources available to finance coming year expenditure programs.
- ◇ Prior to the first Tuesday in October, the City Manager submits the proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months and balanced with revenue estimates made by the Finance Director.
- ◇ By October 1, the City Manager files a preliminary budget with the City Clerk. Copies of the preliminary budget are provided to staff and the City Council and are made available to the public.
- ◇ During the first two weeks of October, the City Clerk publishes a notice of the filing of the preliminary budget and notices of public hearings to be held during preliminary budget deliberations.
- ◇ City Council conducts workshops and two public hearings on the proposed budget between October and December. Final hearing on the budget must begin on or before the first Monday of December and may continue until the 25th day prior to the beginning of the next fiscal year.
- ◇ In early December, the City Council adopts an ordinance to establish the amount of property taxes to be levied

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

in the coming year.

- ◇ By December 31, the City Council makes its adjustments to the proposed budget and adopts a final budget by ordinance.
- ◇ The final operating budget, as adopted, is published and distributed within the first three months of the following year. Copies of the adopted budget are made available to the public.
- ◇ By September 1 after the start nor later than December 31 of the first year of the fiscal biennium, the City provides for a mid-biennium review including the preparation of proposed budget modifications and provides for publication of notice of public hearings.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority after holding public hearing(s).

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

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

The budget for the donations fund is established only at the end of the fiscal year. Therefore, there is no original budget in the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual.

It is the City's policy to invest all temporary cash surpluses. At December 31, 2022, the City was holding \$39,439,959 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is held in the General Fund.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are valued at fair value. The fair value of the City's position in the state investment pool is the same as the value of the pool shares. See Note 3.A, Deposits and Investments.

Taxes receivable consists of property taxes and related interest and penalties (See Property Taxes Note 5C) Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 3.F. Interfund Balances and Transfers.

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 resource.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital assets, which include property, plant, equipment and software, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost and an estimated useful life. Capitalization thresholds and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 15,000	10-100 Years
Equipment and software	5,000	4-12 Years
Roads - collectors and residential	15,000	7-40 Years

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest incurred by the City during the current year.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over their estimated useful lives.

Net investment in capital assets reported on the Statement of Net Position is calculated by subtracting outstanding debt (less unspent revenue bond proceeds of \$2,543,466 from capital assets.

Leases are defined by the general government as the right to use an underlying asset. As lessee, the city recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The city calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. As lessor, the city recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference. For lease contracts that are short-term, the city recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period. Leases between the Airport System and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASBS No. 87, paragraph 43, the Airport System recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies do not apply to regulated leases. Additional disclosures regarding regulated leases are in note 3.H.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated absences are absences for which employees will be paid, such as vacation leave and sick leave. All vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements.

There is no maximum on the vacation balance an employee may carry. However, the maximum vacation balance that an employee may cash out at termination is 240 hours. Vacation pay is payable to the maximum upon resignation, retirement or the death of an employee.

A non-exempt employee may request compensatory time in lieu of overtime payment. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked, accruable to a maximum of 80 hours.

Sick leave accumulation is unlimited. Effective January 1, 2005 any employee in good standing with at least five (5) years of regular employment with the City may cash out up to 40 hours of sick leave per year for 50% of its value at the employee's current hourly wage if their remaining sick balance is over 100 hours. As of January 1, 2007 employees in good standing with seven (7) or more years of regular employment with the City may cash out up to 80 hours for 75% of its value at their current hourly wage as long as their sick leave balance remains over 100 hours. Other sick leave is only payable upon resignation, retirement or the death of an employee. An employee who has been with the City for at least two years may receive twenty-five percent of accumulated sick leave up to a maximum balance of 960 hours.

In accordance with GASB Statement 16, the City accrues vacation pay and no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as termination leave prior to resignation. This provides for the termination pay for eligible employees vacation and twenty-five percent of their sick leave to a maximum of 960 hours accrued.

The entire compensated absence liability is reported on the government-wide financial statements as it meets the criteria identified in the 2005 GAAFR. In the proprietary funds, the amount of compensated absences related to internal service funds is reported as a liability.

Unearned revenues consist of amounts collected before revenue recognition criteria are met. Unearned revenue of \$9,359,456 was reported in the 2022 Governmental Funds Balance Sheet. The City received \$9,286,637 in unspent ARPA funds, \$1,444 for pet licenses and Traffic Impact Fees totaled \$31,003. The City reported \$795 in miscellaneous unearned revenue, all funds were received in 2022 for 2023. Deposits in the amount of \$39,577 also remained at the end of 2022 in the Governmental Funds and \$10,785 in the Internal Service Funds for tenant security deposits.

In addition to assets, the Statement of Net Position and or Balance Sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position. The City has two items that qualify for reporting in this category. First, the City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year. Second, the difference between projected and actual earnings on pension plan investments are deferred and recognized as pension plan expense over a closed five-year period as required by GASB 68. In addition to liabilities, the Statement of Net Position and or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has two items that qualify for reporting in this category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period they become available to the City. A deferred inflow of resources is recognized in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position for the difference between the expected experience and the actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the plan actuary. The amortization period is based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan (active and inactive employees) for the City determined as of the beginning of the measurement date.

All payables, accrued liabilities, and noncurrent liabilities are reported in the government-wide financial statements and on the proprietary fund financial statements.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In general, governmental fund payables and accrued liabilities once incurred are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

The City of University Place implemented Governmental Accounting Standards Board Statement No. 54. For governmental fund financial statements fund balances are reported in five classifications.

- a. Non-spendable: Fund balance amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact. The City has no non-spendable fund balances at this time.
- b. Restricted: Fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.
- c. Committed: Fund balance amounts that are constrained for specific purposes which are internally imposed by the City Council through an ordinance which must be approved by the affirmative vote of a majority of the City Council in a public meeting. Such an ordinance can only be repealed or amended by the affirmative vote of a majority of the City Council in a public meeting.
- d. Assigned: Fund balance amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. This category of fund balance represents amounts the City Council has authorized the City Manager to assign, through resolution or through the ordinance adopting the City's budget, to be used for a specific purpose. Once assigned, the limitation imposed by the ordinance or resolution remain in place until a similar action is taken (the adoption of an ordinance or passing of a resolution) to remove or revise the limitation.
- e. Unassigned: Fund balance amounts that represent residual positive fund balance within the General Fund that has not been classified as restricted, committed, or assigned, and negative fund balances in other governmental funds.

The City considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures of unrestricted fund balance are incurred, the City considers committed amounts spent first, then assigned amounts, and lastly unassigned amounts.

A minimum fund balance has been established through Resolution 702 Section 3: The City shall attempt to maintain a cash reserve of five to fifteen percent (5%-15%) of its operating budget.

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements Adopted

New Accounting Pronouncements In June 2017, the GASB issued Statement No. 87, "Leases". This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2021. The City has implemented GASB 87 in this annual report

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

During 2022, there have been no material violations of finance-related legal or contractual provisions.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

As required by state law, all deposits and investments of the City's funds are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC).

Investments

On December 31, 2022, the City had the following investments:

Investment	Fair Value
State Investment Pool	\$ 39,686,884
Federal Home Loan Banks	\$ 4,006,937
Federal National Mortgage Assn	\$ 934,059
Federal Farm Credit	\$ 912,654
Federal National Mortgage Assn	\$ 981,761
Federal Farm Credit	\$ 913,776
US Treasury Strip	\$ 905,135
Federal National Mortgage Assn	\$ 922,488
Federal Farm Credit	\$ 907,908
Federal Home Loan Mortgage Corp	\$ 993,284

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

All the securities are rated Aaa by Moody's and AA+ by Standard and Poors.

The City has considered GASB 72 requirement for reporting in relation to investments and determined that the LGIP is not required. The securities do, however, come under the GASB 72 disclosure agreement and are currently presented at FMV. The City also considered its Civic Building property that has 3 Retail spaces within the building. This building was originally placed in service as a single office space and was not recorded as a mixed use asset. Therefore it does not require the detailed reporting of GASB 72.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments

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

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: The City uses the market approach for the fair value valuation of its Significant Other Observable Inputs Investments. This approach uses prices and other relevant information from market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities. The City also can make use of quoted market prices as a technique that is consistent with the market approach.

Level 3: Unobservable inputs for an asset or liability.

At December 31, 2022, the city had the following investments measured at fair value:

	Fair Value Hierarchy				Net Asset Value	Fair Value
	Level 1	Level 2	Level 3			
U.S Government						
US Treasury Strip	\$ -	\$ 905,135	\$ -	\$ 1,012,658	\$ 905,135	
Federal Home Loan Banks	-	4,006,937	-	4,008,825	4,006,937	
Federal National Mortgage Assn	-	934,059	-	1,000,393	934,059	
Federal Farm Credit	-	912,654	-	1,002,186	912,654	
Federal National Mortgage Assn	-	981,761	-	986,213	981,761	
Federal Farm Credit	-	913,776	-	916,124	913,776	
Federal National Mortgage Assn	-	922,488	-	926,957	922,488	
Federal Farm Credit	-	907,908	-	984,794	907,908	
Federal Home Loan Mortgage Corp	\$ -	\$ 993,284	\$ -	\$ 1,000,000	\$ 993,284	

B. Receivables and Due from Other Governments

The following is an analysis of the accounts receivable and amounts due from other governments for 2022:

Accounts receivable	
Utility company taxes and ROW use fees	\$ 486,033
Gambling and admissions taxes	14,372
Miscellaneous receivables	6,052
Total	<u>\$ 506,457</u>
Due from other governments	
Due from other governments	\$ 2,482,427
Grants receivable	1,596,467
Property tax receivable	93,987
Total	<u>\$ 4,172,881</u>

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Capital assets are tangible or intangible assets having initial useful lives extending beyond a single reporting period. The City has included intangible assets for a number of years and is in compliance with GASB 51. Capital assets activity for governmental activities for the year ended December 31, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 21,552,870	\$ -	\$ -	\$ 21,552,870
Easement	3,314,291	334,103	-	3,648,394
Construction in progress	3,464,759	282,827	-	3,747,586
Total capital assets, not being depreciated	<u>28,331,920</u>	<u>616,930</u>	<u>-</u>	<u>28,948,850</u>
Capital Assets, Being Depreciated				
Buildings	\$ 44,698,254	\$ 229,648	\$ -	\$ 44,927,902
Infrastructure	195,827,274	1,012,734	-	196,840,008
Equipment and Software	4,506,414	84,436	25,994	4,564,856
Total capital assets, being depreciated	<u>245,031,942</u>	<u>1,326,818</u>	<u>25,994</u>	<u>246,332,766</u>
Less Accumulated Depreciated for				
Buildings	\$ (15,604,851)	\$ (1,505,828)	\$ -	\$ (17,110,679)
Infrastructure	(156,402,578)	(2,636,623)	-	(159,039,201)
Equipment and Software	3,203,342	230,078	(25,994)	3,407,426
Total accumulated depreciation	<u>175,210,771</u>	<u>4,372,529</u>	<u>(25,994)</u>	<u>179,557,306</u>
Total capital assets, being depreciated, net	<u>69,821,171</u>	<u>(3,045,711)</u>	<u>-</u>	<u>66,775,460</u>
Right to Use Assets				
Equipment - right to use	-	58,113	-	58,113
Total right to use assets, being amortized	<u>-</u>	<u>58,113</u>	<u>-</u>	<u>58,113</u>
Amortization				
Equipment - right to use amortization	-	20,555	-	20,555
Total amortization	<u>-</u>	<u>20,555</u>	<u>-</u>	<u>20,555</u>
Total right to use assets, being amortized, net	<u>-</u>	<u>37,558</u>	<u>-</u>	<u>37,558</u>
Governmental activities capital and leased assets, net	<u>\$ 69,821,171</u>	<u>\$ (3,008,153)</u>	<u>\$ -</u>	<u>\$ 66,813,018</u>

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

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

	<u>Depreciation</u>	<u>Amortization</u>
Functions/Programs:		
General government	\$ 1,428,385	\$ 20,555
Transportation	2,660,207	-
Cultural and Recreation	283,937	-
Total depreciation and amortization expense	<u>\$ 4,372,529</u>	<u>\$ 20,555</u>

Capital asset for Business-type activities for year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, Not Being Depreciated				
Construction in progress	\$ 912,486	\$ 109,726	\$ -	\$ 1,022,212
Total capital assets, not being depreciated	<u>912,486</u>	<u>109,726</u>	<u>-</u>	<u>1,022,212</u>
Capital Assets, Being Depreciated				
Infrastructure	18,529,061	200,000	-	18,729,061
Equipment and software*	868,554	35,147	-	903,701
Total capital assets, being depreciated	<u>19,397,615</u>	<u>235,147</u>	<u>-</u>	<u>19,632,762</u>
Less Accumulated Depreciated for				
Infrastructure*	8,426,016	495,874	-	8,921,890
Equipment and software*	552,468	68,886	-	621,354
Total accumulated depreciation	<u>8,978,484</u>	<u>564,760</u>	<u>-</u>	<u>9,543,244</u>
Total capital assets, being depreciated net	<u>10,419,131</u>	<u>(329,613)</u>	<u>-</u>	<u>10,089,518</u>
Business-type activities capital assets, net	<u>\$ 11,331,617</u>	<u>\$ (219,887)</u>	<u>\$ -</u>	<u>\$ 11,111,730</u>

Depreciation expense for Business-type activities was charged to functions/programs of the primary government as follows

Surface Water Management	\$ 564,760
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D. Long-Term Debt

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

In 2009 the City issued \$7,760,000 in limited tax general obligation bonds with an interest rate of 5.92%-6.42%. Proceeds of

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt

the 2009 Series B bonds were used to pay a portion of the costs of completing the Civic Building and to pay taxable lines of credit entered in connection with the Town Square project.

In 2012 the City issued \$14,130,000 limited tax general obligation bonds with an interest rate of 4.5%-5.0% to refinance the 2007 Series B and the remaining principal on the 2001 LTGO. Those bonds were issued for the purpose of park and recreation improvements at the Cirque and Bridgeport Park site and finance the acquisition of property within the Town Center of the City.

In 2016 the City issued \$19,675,000 in limited tax general obligation bonds with an interest rate of 2.0%-5.0% for the purpose of refinancing of bonds issued in 2005, 2007, and 2009. Those bonds were issued for various purposes including the purchase of Windmill Village/City Hall, Windmill Village remodel, Grandview Avenue CIP, arterial lighting CIP and park land acquisition, make street improvements and sewer improvements, construct a portion of a transit center garage, construct other public capital projects related to the Town Center project and finance the acquisition of property within the Town Center of the City.

In 2019 the City issued \$3,225,000 limited tax general obligation bonds with an interest rate of 3.0%-4.0% for the purposes of funding public improvements in the Town Center of the City. Payment utilizes "local revitalization financing" by using revenues received from a local sales and use tax imposed pursuant to RCW 82.14.510 to pay the principal of and interest on the debt.

Also, in 2019 the City issued \$15,950,000 in limited tax refunding bonds with an interest rate of 1.84%-3.19% to advance refund the 2011 Revenue Bond, and the 2012A and B limited tax general obligation bonds. A portion of the 2012 Series A and B bonds remain unrefunded (\$885,000). The 2012A was paid off in prior years and the 2012B was paid off in 2022.

General Obligation Bonds approved by the voters are typically repaid through an annual "excess" property tax levy authorized for this purpose by State statute. At year-end 2022 the City had no voter-approved bonds outstanding.

Long-term debt activity for the year ended December 31, 2022 follows:

Description	Date of Issue	Maturity Date	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed	Ending Outstanding Debt
Governmental Activity							
General obligation bonds							
2009 Series B	24-Aug-09	1-Dec-34	\$ 7,760,000	\$ 4,635,000	\$ -	\$ 1,100,000	\$ 3,535,000
2012 Series A	20-Nov-12	1-Dec-37	6,250,000	-	-	-	-
2012 Series B (taxable)	20-Nov-12	1-Dec-37	7,880,000	130,000	-	130,000	-
2016 LTGO	29-Sep-16	1-Dec-34	19,675,000	18,135,000	-	210,000	17,925,000
2019 LTGO Series A (Tax Exempt)	5-Dec-19	1-Dec-37	3,225,000	2,940,000	-	145,000	2,795,000
2019 LTGO Refunding Series B (Taxable)	5-Dec-19	1-Dec-37	15,950,000	15,470,000	-	245,000	15,225,000
Total governmental activity general obligation bonds			<u>\$ 60,740,000</u>	<u>\$ 41,310,000</u>	<u>\$ -</u>	<u>\$ 1,830,000</u>	<u>\$ 39,480,000</u>

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt

Annual debt service requirements to maturity for general obligation debt are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2023	1,925,000	1,666,089	3,591,089
2024	2,020,000	1,569,914	3,589,914
2025	2,055,000	1,468,245	3,523,245
2026	2,170,000	1,363,704	3,533,704
2027	2,085,000	1,269,148	3,354,148
2028-2032	12,565,000	4,857,664	17,422,664
2033-2037	16,660,000	1,792,047	18,452,047
Total	<u>\$ 39,480,000</u>	<u>\$ 13,986,811</u>	<u>\$ 53,466,811</u>

E. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year	Due in More than One Year
Governmental Activities						
Bonds and Loans Payable						
General obligation bonds	\$ 41,310,000	\$ -	\$ (1,830,000)	\$ 39,480,000	\$ 1,925,000	\$ 37,555,000
Total bonds and loans payable	<u>41,310,000</u>	<u>-</u>	<u>(1,830,000)</u>	<u>39,480,000</u>	<u>1,925,000</u>	<u>37,555,000</u>
Compensated absences	669,878	9,542	-	679,420	224,208	455,212
Lease liability	-	58,114	(20,411)	37,703	18,196	19,507
Net pension liability	341,127	406,475	-	747,602	-	747,604
Government activities, long-term liabilities	<u>\$ 42,321,005</u>	<u>\$ 474,131</u>	<u>\$ (1,850,411)</u>	<u>\$ 40,944,725</u>	<u>\$ 2,167,404</u>	<u>\$ 38,777,323</u>
Business-type Activities						
Compensated absences	\$ 94,552	\$ -	\$ (9,558)	\$ 84,994	\$ 28,047	\$ 56,947
Net pension liability	53,698	136,252	-	189,950	-	189,950
Business -type activities, long-term liabilities	<u>\$ 148,250</u>	<u>\$ 136,252</u>	<u>\$ (9,558)</u>	<u>\$ 274,944</u>	<u>\$ 28,047</u>	<u>\$ 246,897</u>

The general fund and internal service funds typically have been used in prior years to liquidate the liability for compensated absences, pension and OPEB.

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

F. Transfers

Transfers are legally authorized contributions of resources from one fund to another to subsidize designated activities or expenditures. Transfers are accounted for as “Other Financing Sources and Uses”. The City transferred funds for various construction projects, to the debt service fund as principle and interest payments become due and to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfers were recorded during 2022:

Fund Category	2022	
	Transfer in	Transfer out
General	\$ -	\$ 5,848,379
Surface water management	-	8,233
Public works capital improvement	626,030	-
Debt service	3,590,925	-
Street Fund	891,227	-
Internal service	748,430	-
Total	<u>\$ 5,856,612</u>	<u>\$ 5,856,612</u>

G. Construction and other significant commitments

Construction Commitments - The City has active public works capital improvement construction projects as of December 31, 2022. The projects include street construction and widening, parks and trails, general government facilities, technology upgrades and waterworks system improvements. At December 31, 2022, the City’s construction commitments were \$522,838.

Construction Commitments	
Project	Remaining
Bud Clary Auto Dealership	\$ 102,947
J&I Power Equipment	22,960
Hapco Poles	69,091
Leotek Electronics	7,960
Stresscrete Inc	144,460
Otak	30,873
Gray & Osborne	103,362
Quadient Finance	18,693
Canon Financial Services	22,492
Total	<u>\$ 522,838</u>

Encumbrances – Encumbrances (e.g., purchase orders, contracts) accounting is employed in governmental funds. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At the year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General funds	\$ 30,873
Public Works CIP	450,780
IT Internal service fund	41,185
Total	<u>\$ 522,838</u>

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

H. Leases

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

Lessor

The city entered into 4 leases as Lessor for the use of buildings and cell towers. An initial lease receivable was recorded in the amount of \$951,151. As of December 31, 2022, the value of the lease receivable is \$807,966. The lessees are required to make annual fixed payments of \$156,387. The leases have interest rates ranging from 1.027% - 2.13%. The value of the deferred inflow of resources as of December 31, 2022 was \$788,898, and the city recognized lease revenue of \$162,421 during the fiscal year. The city received \$14,308 in interest income from leases during the fiscal year. The lessees of the land for cell towers have 2 extension option(s), each for 60 months.

Governmental Activities			
Classification	Term Range Months Remaining	Lease Receivable as of	
		Commencement Date	December 31, 2022
Buildings	46-118	\$ 778,208	\$ 668,792
Land for Cell Towers	55-64	172,943	139,174
		<u>\$ 951,151</u>	<u>\$ 807,966</u>

Receipt Forecast

Total future minimum lease revenue under lessor agreements are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2023	\$ 150,811	\$ 12,520	\$ 163,331
2024	157,774	10,457	168,231
2025	151,064	8,236	159,300
2026	74,547	6,495	81,042
2027	53,433	5,296	58,729
Thereafter	220,337	9,509	229,846
Total	<u>\$ 807,966</u>	<u>\$ 52,513</u>	<u>\$ 860,479</u>

Lessee

The city entered into 5 leases with different vendors, the remaining terms range from 18-58 months for use of equipment. An initial lease liability was recorded in the amount of \$58,114. As of December 31, 2022, the value of the lease liability is \$37,703. The city is required to make monthly fixed payments of \$20,800. The leases have interest rates ranging from 0.427% - 1.177%. The city recorded a right to use assets for equipment in the amount of \$58,113. As of December 31, 2022 \$20,555, was recorded as amortization expense during the year. The lessees have no extension options.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

Payment Forecast

Total future minimum lease payments under lease agreements are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2023	\$ 18,196	\$ 281	\$ 18,477
2024	10,143	156	10,299
2025	5,490	77	5,567
2026	3,873	20	3,893
Total	<u>\$ 37,702</u>	<u>\$ 534</u>	<u>\$ 38,236</u>

4. PENSION PLANS

The following table represents the aggregate pension amounts for the year 2022:

Aggregate Pension Amounts - All Plans	PERS 1	PERS 2/3	Total
Pension liabilities	\$ 937,554	\$ -	\$ 937,554
Pension assets	\$ -	\$ 1,629,045	\$ 1,629,045
Deferred outflows of resources	\$ 105,114	\$ 1,516,845	\$ 1,621,959
Deferred inflows of resources	\$ 155,380	\$ 1,509,156	\$ 1,664,536
Pension Expense/Expenditures	\$ 455,875	\$ (524,030)	\$ (68,155)

State Sponsored Pension Plans

Substantially all of the City of University Place'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.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

4. PENSION PLANS

Public Employees' Retirement System (PERS)

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 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January - August 2022		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.71 %	- %
Administrative Fees	0.18 %	- %
Total	10.25 %	6.00 %
September - December 2022		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.85 %	- %
Administrative Fee	0.18 %	- %
Total	10.39 %	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.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

4. PENSION PLANS

Public Employees' Retirement System (PERS)

Contributions

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.

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:		Employer	Employee
January - August 2022			
PERS Plan 2/3		6.36 %	6.36 %
PERS Plan 1 UAAL		3.71 %	- %
Administrative Fees		0.18 %	- %
Total		<u>10.25 %</u>	<u>6.36 %</u>
September - December 2022			
PERS Plan 2/3		6.36 %	6.36 %
PERS Plan 1 UAAL		3.85 %	- %
Administrative Fee		0.18 %	Varies
Total		<u>10.39 %</u>	<u>6.36 %</u>

The City of University Place's actual PERS plan contributions were \$205,638 to PERS Plan 1 and \$348,127 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study and the 2021 Economic Experience Study*.

CITY OF UNIVERSITY PLACE, WA NOTES TO THE FINANCIAL STATEMENTS

4. PENSION PLANS

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

Inflation: 2.75% total economic inflation; 3.25% salary inflation

Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to 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, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on 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 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, 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.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

4. PENSION PLANS

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20.00 %	1.50 %
Tangible assets	7.00 %	4.70 %
Real estate	18.00 %	5.40 %
Global equity	32.00 %	5.90 %
Private equity	23.00 %	8.90 %
	100.00 %	

Sensitivity of NPL

The table below presents the City of University Place's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the City of University Place's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 1,252,557	\$ 937,554	\$ 662,627
PERS 2/3	\$ 1,918,414	\$ (1,629,045)	\$ (4,543,506)

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, the City of University Place reported its proportionate share of the net pension liabilities as follows:

PERS 1	\$ 937,554
PERS 2/3	(1,629,045)
	<u>\$ (691,491)</u>

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

	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.032330 %	0.033672 %	0.001342 %
PERS 2/3	0.041540 %	0.043924 %	0.002384 %

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

4. PENSION PLANS

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

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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.

Pension Expense

For the year ended December 31, 2022 the City of University Place recognized pension expense as follows:

	<u>Pension Expense</u>
PERS 1	\$ 455,875
PERS 2/3	<u>(524,030)</u>
Total	\$ <u>(68,155)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience PERS 2/3	\$ 403,639	\$ (36,877)
Net difference between projected and actual investment earnings PERS 2/3	-	(1,204,365)
Change of assumptions PERS 2/3	907,968	(237,738)
Changes in proportion and differences between contributions and portportionate share of contributions	29,438	(30,176)
Contributions subsequent to the measurement date	<u>175,800</u>	<u>-</u>
Total PERS 2/3	<u>1,516,845</u>	<u>(1,509,156)</u>
Net difference between projected and actual investment earnings PERS 1	-	(155,380)
Contributions subsequent to the measurement date	<u>105,114</u>	<u>-</u>
Total PERS 1	<u>105,114</u>	<u>(155,380)</u>
Total all plans	<u>\$ 1,621,959</u>	<u>\$ (1,664,536)</u>

Deferred outflows of resources related to pensions resulting from the City of University Place's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>PERS 1</u>	<u>PERS 2/3</u>
2023	\$ (65,754)	\$ (360,506)
2024	(59,721)	(329,743)
2025	(74,918)	(404,013)
2026	45,013	548,069
2027	-	190,520
Thereafter	<u>-</u>	<u>187,562</u>
Total Net Deferred (Inflows)/Outflows	<u>\$ (155,380)</u>	<u>\$ (168,111)</u>

Other Local Government Pension Systems - City of University Place Employee's Retirement Plan

CITY OF UNIVERSITY PLACE, WA NOTES TO THE FINANCIAL STATEMENTS

4. PENSION PLANS

The City Council established a defined contribution retirement plan called the University Place Retirement Plan effective August 31, 1995 (the date of incorporation) in accordance with Internal Revenue Code Section 401(a). The plan was established as an alternative to the Federal Social Security System and is authorized by the Federal Social Security Act (42 USCA, Section 418(g)). In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the financial statements of the City. The City Council is authorized under RCW 41.48.050 to establish or amend the plan's provisions and contribution requirements.

The plan is currently administered by ICMA Retirement Corporation (Mission Square). The City Manager is the appointed Trustee of the plan. Covered payroll for 2022 was \$4,985,542 and total City payroll for benefit covered employees was \$5,014,637. The City's contribution was \$309,145 and the employee's contribution was \$344,950. During 2022, there were a total of 56 individuals covered by this plan. As of the end of the year, 50 remained as active employees of the City. Eight employees were added to the plan and six employees left the City's employment and either had been reimbursed their contributions or reimbursement was pending. Nine employees are on a union retirement plan.

The pension benefits a participant will receive depend only on the amount contributed to the participant's account and earnings on investments of these contributions. Employees' self-direct investment amounts to various investment options for both employee and employer contributions. All contributions are invested in instruments arranged through the ICMA Retirement Corporation (Mission Square). The plan assets are not the property of the City and are not subject to the claims of the City's general creditors.

All regular, non-represented employees are required to participate in the City's 401(a) defined contribution retirement plan. The employee contributes a minimum of 6.0% up to 18.0%, and the City provides a matching contribution of 6.2%. Contributions into the plan are tax deferred. Vesting for the City share of the 401(a) contribution is 33.3% after one year, 66.7% after two years, and 100% after three years of being employed with the City of University Place.

International Union of Operating Engineers (IUOE)

Employees represented by the bargaining unit of International Union of Operating Engineers (IUOE) participate in the IUOE pension plan. Per collective bargaining agreement, the City contributes 13.974% to the IUOE pension plan and no employee contribution is required.

5. OTHER INFORMATION

A. Other Employee Benefits

Health and Welfare

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

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

As of December 31, 2022, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

CITY OF UNIVERSITY PLACE, WA NOTES TO THE FINANCIAL STATEMENTS

5. OTHER INFORMATION

A. Other Employee Benefits

Health and Welfare

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris and Kaiser plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, United States Fire insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the 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 the 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.

For the employees of the City of University Place, per the contract through the Trust to the insurance company, the employer must pay 50% of the premium for medical insurance however the employer does not have a requirement to pay a minimum level for dependents. For dental (WDS/Willamette) the Trust requires the employer to pay 75% of the employee, spouse, and dependent premium. For vision (VSP) the Trust requires the employer to pay 100% of the employee premium. The City's contributions to the Trust for the year ended December 31, 2022 were \$868,110.00 for Medical, \$74,740.78 for Dental and \$9,688.60 for Vision which equaled the required contributions of that year.

Long-term Disability

The City also provides insurance payments (approximately 1%) for all full-time employees, and part-time employees that work 20 hours or more per week, for long-term disability, accidental death and dismemberment, and lump sum death benefit coverage.

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

5. OTHER INFORMATION

A. Other Employee Benefits

Deferred Compensation

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. These plans permit City employees to defer a portion of their salary into future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. Employees may choose to have their plan administered by the State of Washington Deferred Compensation Program (DCP), MissionSquare formerly ICMA Retirement Corporation, or Nationwide Retirement Solutions. The plan became effective June 14, 1995.

In accordance with GASB Statement 32, the assets of the deferred compensation plans are no longer presented in the City's financial statements. Due to recent changes in the tax law as set forth in the Internal Revenue Code, these assets are not the property of the City or subject to the claims of the City's general creditors.

B. Other Post-Employment Benefits

Association of Washington Cities Benefit Trust ("Trust")

Trust Description. The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust ("Trust"), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report includes financial statements and requires supplementary information for Trust. That report along with a copy of the Trust document may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

Funding Policy. The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

Health First - 1000	Health First - 2500
\$1,135.92 for non-Medicare enrolled retiree coverage	\$1,070.10 for non-Medicare enrolled retiree coverage
\$1,145.78 for non-Medicare enrolled spouse coverage	\$1,077.86 for non-Medicare enrolled spouse coverage
N/A for Medicare enrolled retiree coverage	N/A for Medicare enrolled retiree coverage
N/A for non-Medicare enrolled spouse coverage	N/A for non-Medicare enrolled spouse coverage

Participating Employers are not contractually required to contribute at the rates assessed each year for non-LEOFF I retirees. The retiree pays for 100% of the premium.

Retirement Health Savings

The city also offers employees a Retirement Health Savings (RHS) plan for all benefit eligible employees. RHS is a plan to provide tax-free savings during employment for payment of medical insurance premiums and other qualified post-employment medical expenses allowable under IRC Section 213. The RHS plan is considered to be an HRA (Health Reimbursement Account), and as such Retirement Health Savings plans are unique. As compared to other retirement fund accounts, RHS accumulates on a tax deferred basis and the proceeds are tax free upon withdrawal.

The plan is administered by ICMA Retirement Corporation. The City Manager is the appointed Trustee of the plan.

CITY OF UNIVERSITY PLACE, WA

NOTES TO THE FINANCIAL STATEMENTS

5. OTHER INFORMATION

B. Other Post-Employment Benefits

Retirement Health Savings

Until 2007, an employee could make the individual choice to join RHS and determine the amount to be contributed into the account. In April of 2007, the Internal Revenue Service issued a revenue ruling that created a uniform rule set for all HRA accounts. As a result of this ruling, the City had to organize itself into several groups and the affected employees within each group had to decide if they wanted to opt in at a predetermined amount or completely opt out of the system. The City was organized into the following groups: executive team, management team, union staff, line staff, and finally the City Council.

A mandatory city-wide vote was conducted to determine if employees would participate in RHS. This vote was finalized on December 6, 2007. With the exception of the City Council group, which opted out of RHS, groups had over a 60% consensus for opting into the RHS program. The resolution was then brought before the City Council on December 17, 2007 and was unanimously passed. The revised RHS plan took effect on January 1, 2008. A vote was taken again in 2011 and all participating groups opted to continue their participation at the existing rates. The following is a breakdown of what percent of salary each group decided to participate at:

Executive team	3.5 %
Management team	3.0 %
Union staff	2.0 %
Line staff	1.5 %

The total amount contributed by employees in 2022 was \$140,232.

C. Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are due on approximately the 10th of each month for the prior month's collections.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property is established for next year's levy at 100 percent of value.
October 31	Second installment is due.

During the year, property tax revenues are recognized when payments are received from the County. At year end, property tax revenues are recognized for collections expected to occur within 60 days. Unpaid property taxes are recorded as delinquent taxes receivable, offset by deferred inflows. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

Washington State (RCW 84.55.010) limits the growth of regular property taxes to six percent per year, after adjustment for new construction. If the assessed valuation increases by more than six percent due to reevaluation, the levy rate will be reduced.

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

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

The City's regular tax levy for 2022 was \$0.78 per \$1,000 on an assessed valuation of \$5,937,366,645 for a total regular levy of \$4,609,967.

CITY OF UNIVERSITY PLACE, WA NOTES TO THE FINANCIAL STATEMENTS

5. OTHER INFORMATION

D. Risk Management

The City of University Place 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, public officials' errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$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.

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

5. OTHER INFORMATION

D. Risk Management

Risk Management Fund

The City established the Risk Management Fund as an Internal Service Fund to pay insurance premiums, claims, and deductibles for the above areas of risk, as well as to establish reserves for self-insurance and uncovered losses. City operating funds contribute to the Insurance Fund based on information from the contributing funds past claims experience and loss exposures. In the past three years, none of the settlements exceeded the City's insurance coverage. The Risk Management Fund reserves for December 31, 2022 and 2021 were as follows:

	2022	2021
Beginning of year	\$ -	\$ -
Insurance Claims and		
Changes in Estimates	-	149,921
Claims Payments	(180,830)	(149,921)
End of Year	<u>\$ (180,830)</u>	<u>\$ -</u>

E. Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over \$5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's estimated rebatable arbitrage amount as of December 31, 2022 is \$0 for its tax-exempt general obligation bond issues subject to the Tax Reform Act issued through that date.

6. PRIOR PERIOD ADJUSTMENTS

NET POSITION RESTATEMENT

Effective January 01, 2022, the city adopted GASB's No. 87 – Leases, using the facts and circumstances that existed at the beginning of the period of implementation. The standard requires that it is applied retroactively unless it is impractical to do so. Due to the sheer number of leases the city considered it impractical to do so. As a result, there was no impact to the city's beginning net position upon adoption of the new accounting standard.

7. TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under Ordinance No. 619. This ordinance allows the City to enter into agreements to provide ad valorem property tax exemptions for multi-family housing in urban centers. The Ordinance will allow for residential targeted area for multi-family property tax exemption in the Town Center Overlay Zone, an urban center as defined by State law and as designated in the City's Comprehensive Plan. Tax abatement will provide limited eight-year exemptions from ad valorem property taxation for multi-family housing in the designated residential targeted area. For the fiscal year ended December 31, 2022, the City abated property taxes totaling \$61,084.

8. RELATED PARTY DISCLOSURE

As a result of its land holdings in the Town Center complex, the City of University Place is subject to two sets of Covenants, Conditions & Restrictions (CC&Rs) and is a member of two associated Condominium Associations (one for each lot). The first is for the site upon which City Hall sits is commonly referred to as "Lot 9," or the "Civic Building." The second is for the site directly adjacent to the north is commonly referred to as "Lot 8."

Under both sets of agreements, whose CC&Rs have been filed with the Pierce County Assessor and bylaws filed with the Washington Secretary of State, the City owns condominium units within each lot and is a co-owner of condominium elements within each of the lots. The City's ownership of common elements and obligation to contribute towards common expenses is as set forth in the respective CC&Rs and Bylaws.

CITY OF UNIVERSITY PLACE, WA
NOTES TO THE FINANCIAL STATEMENTS

To manage its Civic Building obligations, the City and the other condominium owner, the Pierce County Library (under the authority of the Condominium Association) have hired a property management company, Association Management, Inc. The City is responsible for 60.94% of the costs associated with the common elements. In the reporting period, this amount was \$373,091.

To address its Lot 8 obligations, in lieu of proceeding through the condominium association, the City and the other condominium owner, have generally separately addressed the operations and maintenance expenditures of the areas principally within their control as expenditures arise.

City of University Place, WA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 7,058,417	\$ 7,635,247	\$ 8,894,262	\$ 1,259,015
Licenses and permits	3,504,127	3,885,518	3,660,444	(225,074)
Intergovernmental	478,126	8,275,210	880,128	(7,395,082)
Charges for services	581,725	677,319	1,075,573	398,254
Miscellaneous				
Fines and forfeitures	-	-	166	166
Rental, concessions and sales	5,000	10,000	8,745	(1,255)
Investment earnings	166,950	89,700	441,687	351,987
Contributions	-	-	6,000	6,000
Other revenues	30,500	30,500	4,483	(26,017)
Total revenues	<u>11,824,845</u>	<u>20,603,494</u>	<u>14,971,488</u>	<u>(5,632,006)</u>
Expenditures				
Current				
General government	3,613,029	4,659,572	3,247,801	1,411,771
Public safety	64,363	66,133	62,607	3,526
Transportation	456,230	484,287	414,290	69,997
Natural and economic environment	2,051,443	2,512,539	2,066,098	446,441
Culture and recreation	769,856	787,822	741,446	46,376
Capital outlay	16,000	207,472	5,499	201,973
Total expenditures	<u>6,970,921</u>	<u>8,717,825</u>	<u>6,537,741</u>	<u>2,180,084</u>
Excess (deficiency) of revenues over expenditures	<u>4,853,924</u>	<u>11,885,669</u>	<u>8,433,747</u>	<u>(3,451,922)</u>
Other financing sources/uses				
Transfers out	(3,844,428)	(11,821,270)	(3,812,928)	8,008,342
Proceeds from sale of assets	-	615,915	-	(615,915)
Total other financing sources/uses	<u>(3,844,428)</u>	<u>(11,205,355)</u>	<u>(3,812,928)</u>	<u>7,392,427</u>
Net change in budgetary fund balances	1,009,496	680,314	4,620,819	3,940,505
Fund balances, beginning of year	7,275,733	8,748,350	10,883,506	2,135,156
Fund balances, end of year	<u>\$ 8,285,229</u>	<u>\$ 9,428,664</u>		<u>\$ 6,075,661</u>

Perspective Difference Reconciliation:

Actual fund balance-general fund schedule of revenues, expenditures, and changes in fund balance \$ 15,504,325

The following funds were budgeted as special revenue funds but do not meet the definition of a special revenue fund under GASB Statement 54 and therefore are accounted for within the General Fund

Police and Public Safety	8,031,279
Strategic Reserve Fund	2,286,824
Real Estate Excise Tax Fund	2,887,910
Traffic Impact Fees	<u>351,842</u>

Total fund balance - general fund balance sheet for governmental funds \$ 29,062,180

City of University Place, WA
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Public Employee's Retirement System Plan 1
As of June 30, 2022
Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.033672 %	0.032330 %	0.031437 %	0.031882 %	0.031920 %	0.031751 %	0.030163 %	0.033911 %
Employer's proportionate share of the net pension liability	<u>\$ 937,552</u>	<u>\$ 394,825</u>	<u>\$ 1,109,896</u>	<u>\$ 1,225,976</u>	<u>\$ 1,425,558</u>	<u>\$ 1,506,610</u>	<u>\$ 1,619,895</u>	<u>\$ 1,565,428</u>
Employer's covered payroll	<u>\$ 5,288,785</u>	<u>\$ 4,970,086</u>	<u>\$ 4,787,719</u>	<u>\$ 4,469,376</u>	<u>\$ 4,259,211</u>	<u>\$ 4,004,159</u>	<u>\$ 3,759,385</u>	<u>\$ 3,734,829</u>
Employer's proportionate share of the net pension liability as a percentage of covered payroll	17.73 %	7.94 %	23.18 %	27.43 %	33.47 %	37.63 %	43.09 %	41.91 %
Plan fiduciary net position as a percentage of the total pension liability	76.56 %	88.74 %	68.64 %	67.12 %	63.22 %	61.24 %	57.03 %	59.10 %

* Until a full 10-year trend is compiled, the City will not represent information for those years for which information is not available.

City of University Place, WA
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Public Employee's Retirement System Plans 2 and 3
As of June 30, 2022
Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.043924 %	0.041540 %	0.040938 %	0.041161 %	0.040981 %	0.040841 %	0.038694 %	0.043812 %
Employer's proportionate share of the net pension liability (assets)	<u>(1,629,045)</u>	<u>(4,138,052)</u>	<u>523,574</u>	<u>399,813</u>	<u>699,714</u>	<u>1,419,030</u>	<u>1,948,212</u>	<u>1,565,428</u>
Employer's covered payroll	<u>\$ 5,288,785</u>	<u>\$ 4,970,086</u>	<u>\$ 4,787,719</u>	<u>\$ 4,469,376</u>	<u>\$ 4,259,211</u>	<u>\$ 4,004,159</u>	<u>\$ 3,759,385</u>	<u>\$ 3,734,829</u>
Employer's proportionate share of the net pension liability as a percentage of covered payroll	(30.80)%	(83.26)%	10.94 %	8.95 %	16.43 %	35.44 %	51.82 %	41.91 %
Plan fiduciary net position as a percentage of the total pension liability	106.73 %	120.29 %	97.22 %	97.77 %	95.77 %	90.97 %	85.82 %	89.20 %

* Until a full 10-year trend is compiled, the City will not represent information for those years for which information is not available

City of University Place, WA
Required Supplementary Information
Schedule of Employer Contributions
Public Employee's Retirement System Plan 1
As of December 31, 2022
Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 205,638	\$ 217,769	\$ 235,147	\$ 227,973	\$ 221,690	\$ 202,005	\$ 185,267	\$ 162,900
Contributions in relation to the statutorily or contractually required contributions	(205,638)	(217,769)	(235,147)	(227,973)	(221,690)	(202,005)	(185,267)	(162,900)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,537,262	\$ 5,087,562	\$ 4,896,166	\$ 4,613,018	\$ 4,381,735	\$ 4,122,195	\$ 3,884,027	\$ 3,718,569
Contributions as a percentage of covered payroll	3.71 %	4.28 %	4.80 %	4.94 %	5.06 %	4.90 %	4.77 %	4.38 %

* Until a full 10-year trend is compiled, the City will not represent information for those years for which information is not available

City of University Place, WA
Required Supplementary Information
Schedule of Employer Contributions
Public Employee's Retirement System Plans 2 and 3
As of December 31, 2022
Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 352,869	\$ 362,547	\$ 365,255	\$ 356,277	\$ 328,572	\$ 283,003	\$ 241,977	\$ 209,109
Contributions in relation to the statutorily or contractually required contributions	(352,869)	(362,547)	(365,255)	(356,277)	(328,572)	(283,003)	(241,977)	(209,109)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,537,262	\$ 5,087,562	\$ 4,896,166	\$ 4,613,018	\$ 4,381,735	\$ 4,122,195	\$ 3,884,027	\$ -
Contributions as a percentage of covered payroll	6.37 %	7.13 %	7.46 %	7.72 %	7.50 %	6.87 %	6.23 %	- %

* Until a full 10-year trend is compiled, the City will not represent information for those years for which information is not available.

City of University Place, WA
Notes to the Required Supplementary Information

Budgetary Information

The City's biennial budget is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for all governmental funds.

City of University Place
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Agency Name (Pass Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed Through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
Land & Water Conservation Fund Cluster								
US Department of Interior (via RCO)	Land & Water Conservation Fund	15.916	P22AP00131-00(53-00761)	3,121	-	3,121	-	1, 2 ,3, 4
Land & Water Conservation Fund Cluster:				3,121	-	3,121	-	
Highway Planning and Construction Cluster								
US Department of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUL-2957(010)	17,710	-	17,710	-	1, 2 ,3
US Department of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUL-3230(001)	158,151	-	158,151	-	1, 2 ,3
US Department of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUL-2857(003)	583,339	-	583,339	-	1, 2 ,3
US Department of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUL-2967(001)	348,903	-	348,903	-	1, 2 ,3
US Department of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUL-2857(004)	611,958	-	611,958	-	1, 2 ,3
US Department of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUL-2957(011)	287,792	-	287,792	-	1, 2 ,3
Total Highway Planning and Construction Cluster:				2,007,853	-	2,007,853	-	
Covid-19 Coronavirus State and Local Fiscal Recovery Fund Cluster								
US Department of the Treasury	Covid-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	NA		159,744	159,744	-	1, 2 ,3
Total Covid-19 Coronavirus State and Local Fiscal Recovery Fund Cluster:				\$ -	\$ 159,744	\$ 159,744		
Total Federal Awards Expended:				2,010,974	159,744	2,170,718	\$ -	

City of University Place
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of University Place's governmental fund financial statements. The City uses the modified accrual basis of accounting, which is the basis adapted to governmental fund-type measurement focus. All grants reported on this schedule have been accounted for in governmental fund types. Grant revenues are determined to be earned and available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Note 2 - FEDERAL DE MINIMIS INDIRECT COST RATE

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

Note 3 - PROGRAM COSTS

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

Note 4 - PRIOR PERIOD EXPENDITURES

Of the amount reported, \$3,121 is from a prior period. This amount represents prior period pre-agreement expenditures approved for reimbursement in 2022 through Federal Award P22AP00131-00 (53-00761) under the Land & Water Conservation Fund Cluster.

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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