



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Shoreline

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

Published January 11, 2024

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

January 11, 2024

Mayor and City Council
City of Shoreline
Shoreline, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Shoreline'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 Shoreline January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Shoreline 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 deficiencies that we consider to be material weaknesses.

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
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 qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Shoreline January 1, 2022 through December 31, 2022

2022-001 The City's internal controls over accounting and financial statement preparation were inadequate for ensuring accurate and complete financial reporting.

Background

Federal and state agencies, the City Council, the Mayor, and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing, and maintaining internal controls that ensure financial statements are prepared and fairly presented in accordance with generally accepted accounting principles (GAAP). These controls should also provide reasonable assurance regarding the reliability of these statements.

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, prescribes reporting of fund balances as restricted, committed, assigned or unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Our audit identified deficiencies in internal controls that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

During the current audit, we identified the following deficiencies in internal controls that, when taken together, represent a material weakness:

- Staff responsible for preparing the financials did not allocate adequate resources to the review in order to detect misclassification of fund balances and ensure compliance with GASB 54.
- City staff responsible for compiling financial information lacked an effective review process for ensuring amounts reported in the financial statements were consistent with the underlying accounting records and supporting documentation.

Cause of Condition

The City did not dedicate sufficient resources, including completing an effective final review, to ensure the financial statements were free of material errors and presented in accordance with GAAP. This resulted in material misclassifications for multiple opinion units, which the City subsequently corrected.

City staff relied on an Excel spreadsheet to prepare the financial statements. However, the spreadsheet included incorrect formulas, which resulted in material errors in the financial statements. Management completed a high-level final review of the financial statements, but it was inadequate for detecting these misstatements. The review did not include an examination of the formulas and supporting documentation to ensure the final amounts reported were accurate.

Effect of Condition

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies, and other interested parties. They also hinder the audit process and increase audit costs. We identified the following material classification errors due to the control weakness:

Classification of debt

- The balance reported as due in less than one year was overstated by \$25 million in the Governmental Activities. The City should have reported this balance as due in more than one year.
- Premium on bonds issued was overstated by \$37.8 million in the General Capital Fund, and general obligation bond proceeds were understated by the same amount.

Classification of fund balances

- The committed fund balance was overstated by \$9.8 million in the General Fund. The City should have reported this as unassigned fund balance.

Classification of expenditures

- Current culture and recreation expenditures were reported as \$9.8 million in the General Capital Fund when they should have been \$1.4 million. Capital culture and recreation expenditures were reported as a negative \$4.2 million when they should have been a positive \$4.2 million. There should be no negative amounts presented.

- Current capital transportation expenditures were reported as \$45 million in the Roads Capital Fund when they should have been \$3.4 million. Capital transportation expenditures were reported as a negative \$20.9 million when they should have been a positive \$20.9 million. There should be no negative amounts presented.

The City corrected these errors, along with other less significant errors that we identified, in the final financial statements.

Recommendation

We recommend the City:

- Establish and follow effective internal controls over financial reporting to ensure reporting of fund balance in accordance with GASB 54
- Ensure amounts in the Excel spreadsheet used to compile the financial statements are consistent with the underlying accounting records and supporting documentation
- Strengthen internal controls over its year-end preparation process and conduct an effective review to ensure all financial statement balances are properly classified.

City's Response

The City would like to express appreciation to the State Auditor's Office for their work. The City has corrected the misstatements and will be allocating additional resources to its future financial statement review processes.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 Shoreline January 1, 2022 through December 31, 2022

Mayor and City Council
City of Shoreline
Shoreline, 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 Shoreline, 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 December 28, 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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001, 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*.

CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

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

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

Pat McCarthy, State Auditor

Olympia, WA

December 28, 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 Shoreline
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Shoreline
Shoreline, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Shoreline, 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.

Purpose of this Report

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

December 28, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Shoreline January 1, 2022 through December 31, 2022

Mayor and City Council
City of Shoreline
Shoreline, 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 Shoreline, 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 Shoreline, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 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 December 28, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

December 28, 2023

**City of Shoreline
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

Governmental Funds Balance Sheet – 2022

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

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

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actual – 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 Proportionate Share of Net Pension Liability – PERS 1 – 2022

Schedule of Employer Contributions – PERS 1 – 2022

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

Schedule of Employer Contributions – PERS 2/3 – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

Management Discussion and Analysis

As management of the City of Shoreline, we offer readers of the City of Shoreline's financial statements this narrative overview and analysis of the financial activities of the City of Shoreline for the fiscal year ended December 31, 2022.

Financial Highlights

- The Assets of the City Shoreline exceeded its Liabilities at the end of the most recent fiscal year by \$498,793,381. Of this amount, \$95,099,329 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$38,408,153 from 2021. Revenues from governmental activities exceeded governmental expenses by \$30,682,437 and business-type activity revenues exceeded expenditures by \$7,339,046 in 2022 before transfers and special items.
- As of the close of 2022, the City of Shoreline's governmental funds reported combined ending net position balances of \$429,141,685 an increase, of \$32,873,636 in comparison with the prior year. Approximately 18% or \$76 million, constitutes unrestricted net position which is available for spending at the government's discretion for general operations.
- At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$38,324,329, or 84.49%, of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Shoreline's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Shoreline's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City of Shoreline that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities for the City include general government, public safety, physical environment (e.g., construction inspection and capital planning and design), transportation, economic environment (e.g., permitting, planning), and culture & recreation. The business-type activities of the City are the surface water utility and wastewater utility.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Shoreline maintains fifteen 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, the general capital fund, and the roads capital fund, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation.

The City of Shoreline adopts a biennial appropriated budget for its General Fund with annual spending plans. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. The City of Shoreline maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its surface water utility and wastewater utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Shoreline's various functions. The City uses internal service funds to account for its fleet of vehicles and equipment. The City also uses an internal service fund to provide for its unemployment compensation obligations. Because the services accounted for within the City's internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides information for the surface water utility and wastewater utility. Surface water utility is considered a major fund of the City of Shoreline. Both surface water utility and wastewater utility are presented as major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, but the funds are considered to be held in a custodial capacity for another entity.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Table 1
City of Shoreline's Net Position
December 31, 2022

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 161,116,943	\$ 118,657,793	\$ 21,367,421	\$ 24,791,071	\$ 182,484,364	\$ 143,448,864
Capital assets	373,678,647	356,453,142	56,327,852	49,122,798	430,006,499	405,575,940
Total Assets	534,795,590	475,110,935	77,695,273	73,913,869	612,490,863	549,024,804
Deferred Outflows of Resources	4,831,057	2,064,621	807,990	306,223	5,639,047	2,370,844
Total Assets and Deferred Outflows of Resources	539,626,647	477,175,556	78,503,263	74,220,092	618,129,910	551,395,648
Current liabilities	13,057,786	33,765,977	3,197,497	2,831,685	16,255,283	36,597,662
Non-Current liabilities	88,413,238	32,149,560	4,847,739	5,014,652	93,260,977	37,164,212
Total liabilities	101,471,024	65,915,537	8,045,236	7,846,336	109,516,260	73,761,874
Deferred Inflows of Resources	9,013,938	14,991,971	806,331	2,256,576	9,820,269	17,248,547
Net Position:						
Net Investment in Capital Assets	281,638,141	298,855,987	50,408,126	43,276,539	332,046,267	342,132,526
Restricted	71,643,684	19,463,555	4,101	1,994,462	71,647,785	21,458,017
Unrestricted	75,859,860	77,948,507	19,239,470	18,846,179	95,099,330	96,794,686
Total net position	\$ 429,141,685	\$ 396,268,049	\$ 69,651,697	\$ 64,117,180	\$ 498,793,382	\$ 460,385,229

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 Shoreline, the net position was \$498,793,383 as of December 31, 2022.

By far the largest portion of the City's net position (66%) reflects the investment in capital assets (e.g., infrastructure, 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's 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.

Total liabilities increased due to large increases in long-term debt and an increase in the city's net pension liability. See Note 6: Pensions and Note 10: Long Term Debt for more information on these changes.

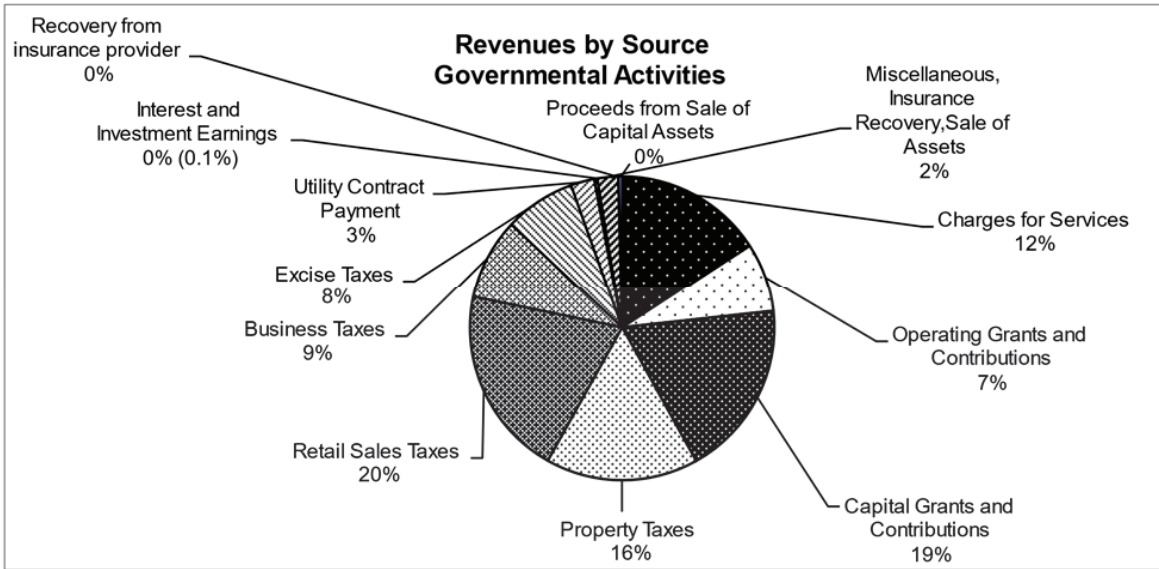
The unrestricted net position of both governmental and business activities is \$95,099,329 and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Shoreline's Changes in Net Activities

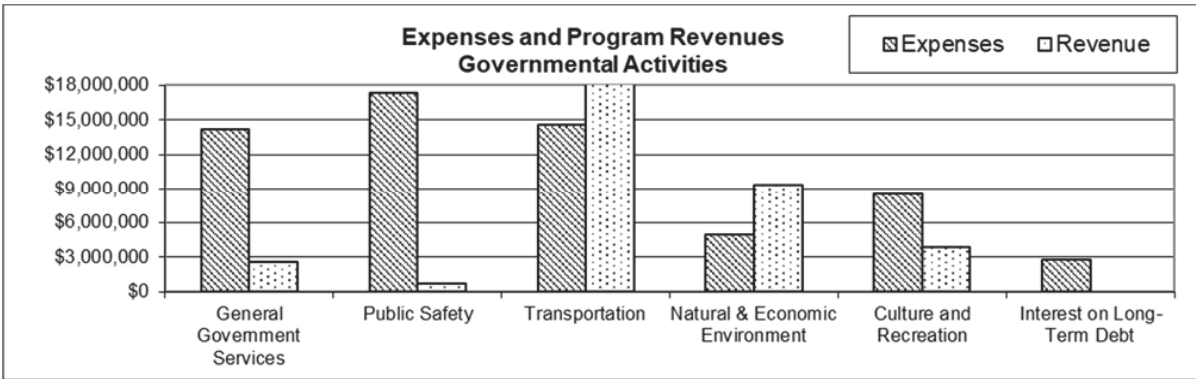
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 14,747,175	\$12,616,842	\$ 27,117,807	\$26,019,203	\$ 41,864,983	\$38,636,045
Operating Grants and Contributions	6,931,230	12,555,131	93,275	108,397	7,024,505	12,663,528
Capital Grants and Contributions	17,386,902	10,583,912	1,132,720	324,392	18,519,622	10,908,304
General revenues:						
Property Taxes	15,109,333	15,104,940	-	-	\$ 15,109,333	\$ 15,104,940
Retail Taxes	18,756,440	16,927,619	-	-	\$ 18,756,440	\$ 16,927,619
Business Taxes	8,162,486	7,046,930	-	-	\$ 8,162,486	\$ 7,046,930
Excise Tax	7,013,745	8,194,131	-	-	\$ 7,013,745	\$ 8,194,131
Utility Contract Payment	2,332,883	2,250,337	-	-	\$ 2,332,883	\$ 2,250,337
Interest and Investment Earnings	325,498	11,677	60,218	7,387	\$ 385,716	\$ 19,064
Miscellaneous	2,084,689	1,694,453	2,933,920	2,678,009	\$ 5,018,609	\$ 4,372,462
Total Revenue	92,850,382	86,985,973	31,337,940	29,137,388	124,188,322	116,123,361
Expenses:						
General Government	14,242,664	13,502,309	-	-	14,242,664	13,502,309
Public Safety	17,336,037	16,704,449	-	-	17,336,037	16,704,449
Transportation	14,547,632	12,760,577	-	-	14,547,632	12,760,577
Natural & Economic Environment	4,921,990	3,519,151	-	-	4,921,990	3,519,151
Culture and Recreation	8,384,133	8,197,817	-	-	8,384,133	8,197,817
Interest on Long-Term Debt	2,735,490	1,399,002	-	-	2,735,490	1,399,002
Surface Water & Wastewater	-	-	23,998,894	23,046,881	23,998,894	23,046,881
Total Expenses	62,167,945	56,083,304	23,998,894	23,046,881	86,166,838	79,130,185
Increase in net position before transfers and special items	30,682,437	30,902,669	7,339,046	6,090,507	38,021,483	36,993,176
Transfers	1,806,735	(2,429,625)	(1,806,735)	2,429,625	(0)	-
Insurance Recoveries	28,716	7,628	-	-	28,716	7,628
Gain from Sale of Capital Assets	355,748	2,371,015	2,205	37,832	357,953	2,408,847
Special Items	-	-	-	-	-	-
Increase in net position	32,873,636	30,851,688	5,534,516	8,557,964	38,408,152	39,409,652
Net position - January 1	396,268,049	\$365,416,362	64,117,180	55,559,217	460,385,229	420,975,579
Net position - December 31	\$ 429,141,685	\$396,268,049	\$ 69,651,697	\$64,117,180	\$ 498,793,381	\$ 460,385,229

Governmental activities. Governmental activities increased the City's net position by \$32,873,636. Key elements of the increase are as follows:

- Governmental revenues increased year-over-year by \$5,864,409 , or 6.74%.
- Under the program revenues, charges for services increased \$2,130,333.
- Capital grants and contributions increased by \$6,802,990, which is a 64.28% increase over the prior year.
- Retail Taxes: Retail sales tax receipts increased \$1,828,821, or 10.8%, more.
- Business Taxes: Business tax receipts increased by \$1,115,556, or 15.83% , more;
- Interest and investment earnings increased by \$313,821, which is a 2687% increase.



Governmental expenses increased year-over-year by (\$6,084,641 or 10.85%). General Government expenses increased by \$740,355, Public Safety increased by \$631,558 or an increase of 3.78%. Costs for permitting, inspections, economic and engineering services increased by \$1,402,839, or 39.86% primarily related to increased staffing demands in permitting and inspections. Transportation expenses increased by \$1,787,055, or 14% which was primarily due purchase and capitalization of property purchases. Culture and Recreation increased by \$186,316, or 2.27%, which was also primarily due purchase of property.



Business-type activities. Net position for business-type activities increased by \$5,534,517 in 2022. Key elements of this change are as follows:

- Charges for wastewater and surface water utilities increased by \$1,098,604, which is an increase of 4.22% Capital Grants and Contributions increased by 249.18%, or an increase of \$808,328.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of December 31, 2022, the City's governmental funds reported combined ending fund balances of \$137,091,216 increasing year-over-year by \$45,342,665, as follows: 1) the fund balance of the General Fund increased by \$6,320,962 ; 2) the fund balance of the General Capital Fund is \$35,930,368, which is an increase by \$29,136,797 compared to 2021. This is due to the City issuing bonds with a face value of \$37,840,000 for the purpose of the City's Parks, Recreation and Open Space (PROS) Plan. See Note 10, Long Term Debt, for additional information. 3) the fund balance of the Roads Capital Fund increased by \$3,928,678; and 4) the fund balance of the non-major funds increased by \$5,956,227 .

Approximately 38.5% or \$52,789,983 constitutes assigned and unassigned fund balances, which are available for spending at the government's discretion for general operations. In addition to the fund balances available for general operations there are \$12,402,824 of committed fund balance and \$71,898,410 of restricted/non spendable fund balance.

The City implemented GASB 54 during 2011 and the financial statements reflect that implementation. The General Fund as reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds* consists of two funds: General Fund and Revenue Stabilization Fund. As of December 31, 2022, unassigned fund balance of the General Fund was \$25,771,621 while total fund balance reached \$50,940,661 . As a measure of General Fund liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance is approximately 51% of the total General Fund balance and nearly 57% of the General Fund expenditures excluding transfers out.

The fund balance of the City's General Fund increased year-over-year by \$6,320,962 . The variance from budget was \$11.1 million better than anticipated. Key factors in this change of activities are as follows:

Overall General Fund revenues decreased year-over-year by \$3,211,572, or a 5.6% decrease. Revenues were more than budget by \$6,241,425 . The largest factors comprising the year-over-year decrease include a couple of one-time transactions, described below:

- 2021 included one-time grant funding of \$7.5 million.
- In 2021, there was a sale of the old City of Shoreline Police Station for \$2.3 million, which generated one-time revenue.

Other revenues in the General Fund increased year over year. These included:

- Property tax increased by \$1,011,130, an increase of 7%.
- Retail Sales Tax receipts increased by \$1,281,766, an increase of 11%.
- This was the City's fourth year of collecting the Business & Occupation Tax from businesses. B&O Tax receipts from business operations totaled \$2,066,355.27, which is an increase of 14% over 2021.

General Fund expenditures, excluding operating transfers-out, increased year-over-year by \$3,993,058, or a 9.65% increase. Expenditures were \$4,758,373 less than budget. The most significant areas experiencing budget savings included:

- General Government expenditures came in less than budget by 10.88%. Projects that were not completed in 2022 will continue into 2023.

- Public Safety expenditures were less than budget by 6.43%.
- Natural and Economic Environment expenditures were less than budget by 7.23%.
- Culture and Recreation expenditures were less than budget by 14.59%

The Roads Capital Fund has a fund balance of \$27,323,228, which will be used for transportation capital improvements. The net increase in fund balance within the Roads Capital fund was \$3,928,678.

The Non-Major Funds have a fund balance of \$22,896,959, which will be used for: street and right-of-way maintenance; code abatement efforts; training and equipment to support investigations of illegal drug activity; public art projects; collection and use of transportation impact fees; debt service; and long-term maintenance of City facilities. The net increase in fund balance within these funds was \$5,956,227 and is largely attributable to receipt of traffic impact fees, park impact fees, debt proceeds, and the restricted additional 0.2% sales tax collections that funds sidewalk repairs.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the City's Surface Water Utility Fund is \$28,821,544, which is an increase of \$3,354,458 , or 13.17%. This increase can be attributable to an increase in intergovernmental revenues of \$825,704 and a decrease in operating expenditures of \$490,993. . The unassigned Net Position available for general surface water operations at the end of 2022 amounted to \$9,803,852. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The Wastewater Utility Fund began its operation in October 2017 after an approval of an interlocal agreement with Ronald Wastewater District. The City fully assumed Ronald Wastewater District in 2021. Its net position at the end of 2022 is \$40,830,153 , which is an increase of 5.64% over 2021. The fund's unassigned Net Position is \$9,804,859.

General Fund Budgetary Highlights

For reporting purposes under GASB 54, the General Fund as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds consists of three funds: General Fund, Shoreline Secure Storage Fund and Revenue Stabilization Fund. The appropriations for these three funds are adopted separately by the City Council. During 2022, the budget was modified only in the General Fund. No changes in the appropriations were made in the Revenue Stabilization Fund or Shoreline Secure Storage Fund.

During 2021, there was a \$1.009 million increase in appropriation to the 2022 budget of the General Fund due to needs that were not known at the time of the 2021-2022 Biennial Budget development, which include the following:

- \$0.044 million supplemental appropriation in the General Fund through Ord. No. 923.
- \$0.965 million supplemental appropriation in the General Fund through Ord. No. 945.

During 2022, \$5.267 million increase in appropriation to the 2022 budget of the General Fund were made due to needs that were not known at the time of the 2021-2022 Biennial Budget development and prior amendments:

- \$0.757 million supplemental appropriation in the General Fund through Ord. No. 954.
- \$2.191 million supplemental appropriation in the General Fund through Ord. No. 970.
- \$2.319 million supplemental appropriation in the General Fund, and \$1 thousand appropriation in the Revenue Stabilization Fund through Ord. No. 974.

Capital Asset and Debt Administration

Capital assets. The city's asset balances for its governmental and business-type activities as of December 31, 2022, totals \$430,006,499 net of accumulated depreciation/amortization. These assets include infrastructure, buildings, land, machinery and equipment, vehicles, road improvements, park facilities, right-to-use leased assets, and construction-in-progress.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 175,185,111	\$ 162,020,148	\$ 721,320	\$ 721,320	\$ 175,906,431	\$ 162,741,468
Buildings	28,239,833	29,747,623	1,432,594	1,477,850	29,672,427	\$ 31,225,473
Improvements other than buildings	11,742,894	11,986,131	584,990	593,191	12,327,885	\$ 12,579,322
Machinery and equipment	2,262,161	2,522,658	1,193,313	958,005	3,455,475	\$ 3,480,663
Infrastructure	125,125,654	131,675,603	37,234,393	38,519,977	162,360,047	\$ 170,195,580
Construction in progress	31,122,994	18,500,980	15,134,330	6,824,396	46,257,324	\$ 25,325,376
Intangibles	-	-	26,912	28,060	26,912	\$ 28,060
Total	\$ 373,678,647	\$ 356,453,143	\$ 56,327,852	\$ 49,122,799	\$ 430,006,499	\$ 405,575,942

Major capital asset events during the current fiscal year included the following:

LAND: 145th CORRIDOR (PUBLIC WORKS PROJECT)	\$ 7,331,836
CWIP: 145th CORRIDOR (PUBLIC WORKS PROJECT)	2,178,521
LAND: N 192nd ST PARCEL (PUBLIC WORKS PROJECT)	2,020,210
LAND: N STONE AVE (PUBLIC WORKS PROJECT)	1,704,985
CWIP: N 15TH ST - STONE AVE (PUBLIC WORKS PROJECT)	1,306,507
LAND:10th AVE PARCEL	1,145,492
LAND: 145th & 15 INTERCHANGE (PUBLIC WORKS PROJECT)	861,474
CWIP: 145th & 15 INTERCHANGE (PUBLIC WORKS PROJECT)	3,178,769
NEW SIDEWALKS BOND PROJECTS (PUBLIC WORKS PROJECT)	2,615,602
CWIP: PARKS BOND PROJECTS (PARKS PROJECTS)	1,010,456
	\$ 23,353,852

Additional information on the City's capital assets can be found in Note 4 of the Financial Statements.

Long-term debt. As of December 31, 2022, the City had total bonded debt and loans outstanding of \$83,579,096. This total amount represents General Obligation Bonds and related proceeds; General Obligation Notes, Revenue Bonds; and Public Works Trust Fund loans outstanding.

The City issued Taxable Build America general obligation bonds (BABs) in 2009 to be used to pay for the purchase of City Hall. These bonds were refunded in 2019 with a cash contribution of \$1,108,944 and the issuance of general obligation bonds which have a twenty-year repayment period, at fixed interest rates ranging from 2.5 to 5.0%. This refunding was undertaken in order to affect net present value savings in excess of \$3.0 million. These Series 2019A bonds will be repaid with real estate excise taxes and General Fund revenues. The City issued 2013 LTGO bonds to finance the purchase of the North Maintenance Facility. These bonds have a twenty-year repayment period, at a fixed interest rate of 3.75%. They will be repaid with general property taxes. In addition to refunding bonds, the City also issued LTGO 2019 bonds for the purpose of financing the City's Sidewalk Prioritization Program. These bonds have a fifteen-year repayment period and were issued at a premium with fixed rates ranging from 3.0 to 5.0%. They will be repaid with voter Transportation Benefit District sales tax. In 2020, the City issued a limited tax general obligation note of \$25,000,000 to be used to provide interim financing for the acquisition of property for parks and recreation purposes and the payment of other capital needed described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the Note. In June of 2022, the City retired the 2020 BAN and re-issued a limited tax obligation BAN for \$16,600,000 in order to continue the interim financing for the acquisition of property for park and recreation purposes,

other capital expenditures described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the note.

In 2022, the City issued unlimited tax general obligation (UTGO) bonds with a face value of \$37,840,000 and a net premium of \$1,826,791 for the purpose of financing and refinancing costs related to the City's Parks, Recreation and Open Space (PROS) Plan and to pay the costs of issuing each series of bonds. Of the amount issued, \$6,100,000 was used to currently partially refund the 2020 Bond Anticipation Notes used for eligible expenditures. These bonds have a twenty-year repayment and will be repaid with by a voter-approved property tax levy.

The City issued Surface Water Utility Revenue Bonds in 2016 and 2018 for various Surface Water Utility projects. These bonds each have a fifteen-year repayment period, at fixed interest rates of 2.23% and 3.35% respectively.

City of Shoreline's Outstanding Debt
General Obligation and Revenue Backed Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 66,979,096	\$ 31,012,824	\$ -	\$ -	\$ 66,979,096	\$ 31,012,824
General Obligation Notes	\$ 16,600,000	\$ 25,000,000	\$ -	\$ -	\$ 16,600,000	\$ 25,000,000
Revenue Bonds	\$ -	\$ -	\$ 4,642,325	\$ 5,033,715	\$ 4,642,325	\$ 5,033,715
Total	\$ 83,579,096	\$ 56,012,824	\$ 4,642,325	\$ 5,033,715	\$ 88,221,421	\$ 61,046,539

The City's total outstanding bonded debt and loans increased by \$27,174,882 in UTGO during 2022. This change can be attributed to the City's 2022 issuance of \$37,840,000 in bonds for the Parks, Recreation and Open Space (PROS) Plan as well as the City's partial payment of the 2020 BAN. Additionally, the Surface Water Utility Fund made principal payments of \$127,010 and \$264,380 on the 2016 & 2018 Revenue Bonds, respectively, during 2022.

Washington State statutes limit the amount of general obligation debt that a unit of government can issue to 7.5 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt capacity for the City was \$1,005,273,775. The City had \$83,579,096 in outstanding general obligation debt, as of December 31, 2022. Additional information regarding the City's long-term debt can be found in Notes 10 and 11 of the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Since the adoption of the 2021-2022 biennial budget, revenues have come in above projected levels. Retail sales tax, Utility taxes, and development fees are higher than expected. As part of the budget, the City closely monitored and planned for the anticipated revenue impacts as a result of COVID-19. While these impacts were realized in areas of direct service, the City's general revenues did not experience the same anticipated increases.

During 2022, the fund balance in the General Fund, excluding the Revenue Stabilization, increased by \$6,320,962 to \$45,314,493. The total fund balance includes committed, assigned, and unassigned balances. The City's Reserve policy for the General Fund requires a Cash Flow Reserve of \$3,000,000, a budgeted biennium operating contingency of 2% operating revenues, and a budgeted biennium insurance reserve of \$255,000.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Shoreline Administrative Services Director, 17500 Midvale Ave N., Shoreline, WA 98133-4905.

CITY OF SHORELINE
STATEMENT OF NET POSITION
December 31, 2022

MCAG No. 1015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Unrestricted Assets			
Cash and Cash Equivalents	\$ 10,372,952	\$ 1,886,623	\$ 12,259,575
Investments	\$ 118,637,224	\$ 14,909,971	\$ 133,547,195
Receivables:			
Taxes	\$ 271,910	\$ -	\$ 271,910
Accounts	\$ 2,255,759	\$ 2,617,465	\$ 4,873,224
Interest	\$ 386,803	\$ 48,926	\$ 435,729
LT Note Rec: Current Portion	\$ -	\$ 12,271	\$ 12,271
Leases Rec: Current Portion	\$ 46,753	\$ -	\$ 46,753
Due from Other Governments	\$ 11,668,105	\$ 998,152	\$ 12,666,257
Prepayments	\$ 254,725	\$ 48,146	\$ 302,871
Total Current Unrestricted Assets	\$ 143,894,230	\$ 20,521,554	\$ 164,415,784
Current Restricted Assets			
Cash and Cash Equivalents	\$ 11,000,369	\$ 4,101	\$ 11,004,470
Total Current Restricted Assets	\$ 11,000,369	\$ 4,101	\$ 11,004,470
Noncurrent Unrestricted Assets			
Notes/Contracts Receivable	\$ 24,471	\$ 66,673	\$ 91,144
Interfund Loan Receivable	\$ -	\$ -	\$ -
Leases Receivable	\$ 1,772,736	\$ -	\$ 1,772,736
Capital assets not being depreciated:			
Land	\$ 175,092,650	\$ 721,320	\$ 175,813,970
Construction in Progress	\$ 31,122,994	\$ 15,134,330	\$ 46,257,324
Capital Assets Net of Accumulated Depreciation/Amortization			
Land (Right to Use-Leased)	\$ 92,461	\$ -	\$ 92,461
Buildings	\$ 28,239,833	\$ 1,432,594	\$ 29,672,427
Improvements Other than Buildings	\$ 11,742,894	\$ 584,990	\$ 12,327,885
Machinery and Equipment	\$ 2,136,857	\$ 1,193,313	\$ 3,330,171
Machinery and Equipment (Right to Use-Leased)	\$ 125,304	\$ -	\$ 125,304
Infrastructure	\$ 125,125,654	\$ 37,234,393	\$ 162,360,047
Intangibles	\$ -	\$ 26,912	\$ 26,912
Total capital assets	\$ 373,678,647	\$ 56,327,852	\$ 430,006,499
Net Pension Asset	\$ 4,425,136	\$ 775,093	\$ 5,200,229
Total Noncurrent Unrestricted Assets	\$ 379,900,990	\$ 57,169,619	\$ 437,070,609
TOTAL ASSETS	\$ 534,795,590	\$ 77,695,273	\$ 612,490,863
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	\$ 4,831,057	\$ 807,990	\$ 5,639,047
Total Assets and Deferred Outflows of Resources	\$ 539,626,647	\$ 78,503,263	\$ 618,129,910
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 5,899,917	\$ 1,239,386	\$ 7,139,303
Salaries, Taxes & Benefits Payable	\$ 435,683	\$ 87,904	\$ 523,588
Interest Payable	\$ 402,566	\$ 12,583	\$ 415,149
Retainage Payable	\$ 324,949	\$ 1,424	\$ 326,373
Deposits	\$ 1,451,775	\$ -	\$ 1,451,775
Developer Advances and Deposits	\$ -	\$ 798,708	\$ 798,708
Utility Services Revenue Billed in Advance	\$ -	\$ 538,763	\$ 538,763
Due to Other Governments	\$ 801,176	\$ 39,659	\$ 840,836
Long-Term Liabilities Due Within One Year	\$ 3,741,719	\$ 479,070	\$ 4,220,790
Total Current Liabilities	\$ 13,057,786	\$ 3,197,497	\$ 16,255,283
Noncurrent Liabilities:			
Due in More Than One Year	\$ 86,066,536	\$ 4,431,553	\$ 90,498,088
Due in More Than One Year-Net Pension Liability	\$ 2,346,702	\$ 416,186	\$ 2,762,888
Total Noncurrent Liabilities	\$ 88,413,238	\$ 4,847,739	\$ 93,260,977
TOTAL LIABILITIES	\$ 101,471,024	\$ 8,045,236	\$ 109,516,260
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - Pension	\$ 4,625,978	\$ 806,331	\$ 5,432,309
Deferred inflows - Leases	\$ 1,774,568	\$ -	\$ 1,774,568
Deferred inflows - Grants	\$ 523,420	\$ -	\$ 523,420
Deferred inflows - Gain on Refunding	\$ (0)	\$ -	\$ (0)
Deferred inflows - Other	\$ 2,089,972	\$ -	\$ 2,089,972
Total deferred inflows of resources	\$ 9,013,938	\$ 806,331	\$ 9,820,269
NET POSITION			
Net investment in Capital Assets	\$ 281,638,141	\$ 50,408,126	\$ 332,046,266
Restricted			
Parks Impact Fee	\$ 4,503,033	\$ -	\$ 4,503,033
State Drug Enforcement Seizures	\$ 157,671	\$ -	\$ 157,671
Fed Drug Enforcement Seizures	\$ 72,604	\$ -	\$ 72,604
Transportation Impact Fees	\$ 8,514,811	\$ -	\$ 8,514,811
Debt Service	\$ 14,014	\$ -	\$ 14,014
Sidewalk Expansion Debt Service	\$ 8,008,282	\$ -	\$ 8,008,282
Capital Improvements	\$ 50,373,268	\$ -	\$ 50,373,268
Impaired Investments	\$ -	\$ 4,101	\$ 4,101
Unrestricted	\$ 75,859,860	\$ 19,239,470	\$ 95,099,329
Total net position	\$ 429,141,685	\$ 69,651,697	\$ 498,793,381

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022**

MCAG No. 1015

Function/Program	Charges for			Capital Grants and		Business-Type		Total
	Expenses	Services	Contributions	Contributions	Governmental Activities	Activities	Activities	
Governmental Activities								
General Government Services	\$ 14,242,664	\$ 2,446,837	\$ 132,908	\$ 16,854	\$ (11,646,065)	\$	\$	\$ (11,646,065)
Public Safety	\$ 17,336,037	\$ 251,308	\$ 428,611	\$ -	\$ (16,656,118)	\$	\$	\$ (16,656,118)
Transportation	\$ 14,547,632	\$ 3,330,281	\$ 4,379,574	\$ 14,802,028	\$ 7,964,251	\$	\$	\$ 7,964,251
Natural & Economic Environment	\$ 4,921,990	\$ 7,243,764	\$ 1,845,161	\$ 322,389	\$ 4,489,324	\$	\$	\$ 4,489,324
Culture and Recreation	\$ 8,384,133	\$ 1,474,986	\$ 144,977	\$ 2,245,632	\$ (4,518,539)	\$	\$	\$ (4,518,539)
Interest on Long-Term Debt	\$ 2,735,490	\$ -	\$ -	\$ -	\$ (2,735,490)	\$	\$	\$ (2,735,490)
Total Governmental Activities	\$ 62,167,945	\$ 14,747,175	\$ 6,931,230	\$ 17,386,902	\$ (23,102,637)	\$	\$	\$ (23,102,637)
Business-Type Activities								
Surface Water & Wastewater	\$ 23,998,894	\$ 27,117,807	\$ 93,275	\$ 1,132,720	\$	\$ 4,344,908	\$	\$ 4,344,908
Total Business-Type Activities	\$ 23,998,894	\$ 27,117,807	\$ 93,275	\$ 1,132,720	\$	\$ 4,344,908	\$	\$ 4,344,908
General Revenues:								
Taxes								
Property Taxes, Levied for General Purposes	\$	\$ 15,114,475	\$	\$	\$	\$ -	\$	\$ 15,114,475
Property Taxes, Levied for 2006 GO Bond	\$	\$ (5,143)	\$	\$	\$	\$ -	\$	\$ (5,143)
Retail Sales Taxes	\$	\$ 18,756,440	\$	\$	\$	\$ -	\$	\$ 18,756,440
Business Taxes	\$	\$ 8,162,486	\$	\$	\$	\$ -	\$	\$ 8,162,486
Excise Taxes	\$	\$ 7,013,745	\$	\$	\$	\$ -	\$	\$ 7,013,745
Utility Contract Payment	\$	\$ 2,332,883	\$	\$	\$	\$ -	\$	\$ 2,332,883
Investment Earnings	\$	\$ 325,498	\$	\$	\$	\$ 60,218	\$	\$ 385,716
Miscellaneous	\$	\$ 2,084,689	\$	\$	\$	\$ 2,933,920	\$	\$ 5,018,609
Gain from Sale of Capital Assets	\$	\$ 355,748	\$	\$	\$	\$ 2,205	\$	\$ 357,953
Insurance Recovery	\$	\$ 28,716	\$	\$	\$	\$ -	\$	\$ 28,716
Proceeds from Street Vacation	\$	\$ -	\$	\$	\$	\$ -	\$	\$ -
Transfers	\$	\$ 1,806,735	\$	\$	\$	\$ (1,806,735)	\$	\$ -
Special Items	\$	\$ -	\$	\$	\$	\$ -	\$	\$ -
Total General Revenues, Special items, and Transfers	\$	\$ 55,976,273	\$	\$ 1,189,609	\$	\$ 1,189,609	\$	\$ 57,165,881
Change in Net Position	\$	\$ 32,873,636	\$	\$ 5,534,517	\$	\$	\$	\$ 38,408,152
Net Position - Beginning of Year								
Net Position - End of Year	\$	\$ 396,268,049	\$	\$ 64,117,180	\$	\$	\$	\$ 460,385,229
	\$	\$ 429,141,685	\$	\$ 69,651,697	\$	\$	\$	\$ 498,793,381

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

MCAG No. 1015

	General Fund	General Capital Fund	Roads Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS and DEFERRED OUTFLOWS of RESOURCES					
Cash and cash equivalents	\$ 4,417,790	\$ 742,673	\$ 3,540,239	\$ 1,248,764	\$ 9,949,466
Investments	\$ 48,173,431	\$ 35,079,436	\$ 10,042,526	\$ 21,147,510	\$ 114,442,903
Receivables:					
Taxes	\$ 3,048,475	\$ -	\$ 122,206	\$ 567,275	\$ 3,737,956
Accounts	\$ 2,225,975	\$ 4,046	\$ -	\$ 25,739	\$ 2,255,759
Interest	\$ 158,078	\$ 115,111	\$ 53,753	\$ 46,096	\$ 373,039
Lease	\$ 1,819,489	\$ -	\$ -	\$ -	\$ 1,819,489
Interfund Loan	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Other Governments	\$ 1,242,266	\$ 397,149	\$ 6,382,544	\$ 180,100	\$ 8,202,059
Prepayments	\$ 213,507	\$ 3,424	\$ 19,943	\$ 17,850	\$ 254,725
Notes/Contracts Receivable	\$ 24,471	\$ -	\$ -	\$ -	\$ 24,471
Total current unrestricted assets	\$ 61,323,482	\$ 36,341,839	\$ 20,161,211	\$ 23,233,334	\$ 141,059,866
Current restricted assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 11,000,369	\$ -	\$ 11,000,369
Total Current restricted assets	\$ -	\$ -	\$ 11,000,369	\$ -	\$ 11,000,369
Total assets	\$ 61,323,482	\$ 36,341,839	\$ 31,161,580	\$ 23,233,334	\$ 152,060,236
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 2,331,484	\$ 397,709	\$ 3,053,785	\$ 246,881	\$ 6,029,859
Salaries, Taxes & Benefits Payable	\$ 341,976	\$ 6,662	\$ 38,415	\$ 46,337	\$ 433,390
Retainage Payable	\$ 318,055	\$ 6,894	\$ -	\$ -	\$ 324,949
Unearned Revenues	\$ 1,282,436	\$ -	\$ -	\$ 29,014	\$ 1,311,450
Deposits	\$ 1,259,788	\$ -	\$ 191,988	\$ -	\$ 1,451,775
Interfund Loan Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	\$ 726,235	\$ 205	\$ 30,746	\$ 541	\$ 757,726
Total Liabilities	\$ 6,259,973	\$ 411,471	\$ 3,314,933	\$ 322,773	\$ 10,309,150
Deferred Inflows of Resources					
Deferred inflows - Other	\$ 2,348,280	\$ -	\$ -	\$ -	\$ 2,348,280
Deferred inflows - Grants	\$ -	\$ -	\$ 523,420	\$ -	\$ 523,420
Deferred inflows - Property Tax	\$ -	\$ -	\$ -	\$ 13,602	\$ 13,602
Deferred inflows - Lease Related	\$ 1,774,568	\$ -	\$ -	\$ -	\$ 1,774,568
Total Deferred Inflows	\$ 4,122,848	\$ -	\$ 523,420	\$ 13,602	\$ 4,659,870
Fund Balances:					
Nonspendable	\$ 213,507	\$ 3,424	\$ 19,943	\$ 17,850	\$ 254,724
Restricted	\$ -	\$ 33,726,020	\$ 16,647,248	\$ 21,270,416	\$ 71,643,684
Committed	\$ 2,529,019	\$ -	\$ -	\$ -	\$ 2,529,019
Assigned	\$ 12,552,708	\$ 2,200,924	\$ 10,656,036	\$ 1,608,693	\$ 27,018,362
Unassigned	\$ 35,645,427	\$ 0	\$ -	\$ -	\$ 35,645,427
Total Fund Balances	\$ 50,940,661	\$ 35,930,368	\$ 27,323,228	\$ 22,896,959	\$ 137,091,216
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 61,323,482	\$ 36,341,839	\$ 31,161,580	\$ 23,233,334	\$ 152,060,236

Amounts 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 funds.	\$ 372,558,721
Other assets not capitalized and not reported in the individual governmental funds	4,425,136
Deferred outflows related to pension costs are not reported on fund balance sheets	4,831,057
Short-term liabilities not reported including debt payable current year and taking out deferred revenues not allowed	(2,402,974)
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported as fund liabilities.	(88,703,143)
Deferred Inflows for property taxes are deferred in funds.	271,910
Deferred inflows related to unamortized balances of deferred charges for refunding are not reported in fund balance sheets	-
Deferred Inflows for pensions are not reported on fund balance sheets	(4,625,978)
Internal service funds are used by management to charge the costs of fleet management and unemployment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	5,695,740

Net Position of Governmental Activities

\$ 429,141,684

The accompanying notes are an integral part of this statement

CITY OF SHORELINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

MCAG No. 1015

REVENUES	General Fund	General Capital	Roads Capital	Other Governmental Funds	Total Governmental Funds
Taxes	\$ 38,936,612	\$ 2,654,045	\$ 4,293,205	\$ 3,144,850	\$ 49,028,712
Licenses & Permits	\$ 4,778,742	-	-	-	\$ 4,778,742
Intergovernmental	\$ 5,238,098	\$ 579,305	\$ 16,928,333	\$ 1,175,096	\$ 23,920,831
Charges for Services	\$ 2,361,597	-	\$ 40,269	\$ 5,855,188	\$ 8,257,055
Fines & Forfeits	\$ 112,233	-	-	\$ 3,970	\$ 116,203
Investment Earnings	\$ 129,488	\$ 43,883	\$ 78,897	\$ 39,679	\$ 291,947
Miscellaneous	\$ 3,155,100	\$ 16,854	\$ 2,209,798	\$ 55,527	\$ 5,437,279
Total Revenues	<u>\$ 54,711,869</u>	<u>\$ 3,294,087</u>	<u>\$ 23,550,502</u>	<u>\$ 10,274,310</u>	<u>\$ 91,830,768</u>
EXPENDITURES					
Current:					
General Government Services	\$ 13,305,111	\$ 15,321	-	\$ 97,101	\$ 13,417,533
Public Safety	\$ 17,280,902	-	-	\$ 20,423	\$ 17,301,325
Utilities	-	-	-	-	-
Transportation	\$ 3,271,191	-	\$ 3,405,991	\$ 1,638,009	\$ 8,315,191
Natural & Economic Environment	\$ 5,144,570	-	-	-	\$ 5,144,570
Culture & Recreation	\$ 6,358,091	\$ 1,391,217	-	\$ 242,098	\$ 7,991,406
Debt Service:					
Principal	-	-	-	\$ 10,091,904	\$ 10,091,904
Interest and Other Related Costs	-	-	-	\$ 2,548,608	\$ 2,548,608
Capital Expenditures:					
General Government	-	\$ 1,022,772	-	-	\$ 1,022,772
Public Safety	-	\$ 8,504	-	-	\$ 8,504
Economic Environment	-	-	-	-	-
Culture & Recreational	-	\$ 4,197,472	-	-	\$ 4,197,472
Transportation	-	-	\$ 20,888,238	-	\$ 20,888,238
Total Expenditures	<u>\$ 45,359,865</u>	<u>\$ 6,635,286</u>	<u>\$ 24,294,229</u>	<u>\$ 14,638,143</u>	<u>\$ 90,927,523</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 9,352,004</u>	<u>\$ (3,341,199)</u>	<u>\$ (743,727)</u>	<u>\$ (4,363,833)</u>	<u>\$ 903,245</u>
OTHER FINANCING SOURCES (USES)					
General Obligation Bond Proceeds	-	\$ 37,840,000	\$ 2,821,000	-	\$ 40,661,000
Premium on Bonds Issued	-	\$ 1,826,791	-	-	\$ 1,826,791
Refunding Bonds Issued	-	-	-	-	-
Premium on Refunding Bonds Issued	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Transfers In	\$ 2,322,319	\$ 2,894,930	\$ 2,177,183	\$ 13,583,041	\$ 20,977,474
Transfers Out	\$ (5,644,307)	\$ (10,102,179)	\$ (671,125)	\$ (3,262,981)	\$ (19,680,592)
Leases (as Lessee)	\$ 290,946	-	-	-	\$ 290,946
Proceeds from the Sale of Capital Assets	-	\$ 18,453	\$ 345,347	-	\$ 363,800
Insurance Recoveries	-	-	-	-	-
Total other financing sources and uses	<u>\$ (3,031,042)</u>	<u>\$ 32,477,996</u>	<u>\$ 4,672,405</u>	<u>\$ 10,320,060</u>	<u>\$ 44,439,419</u>
SPECIAL ITEMS					
Net Change in Fund Balances	\$ 6,320,962	\$ 29,136,797	\$ 3,928,678	\$ 5,956,227	\$ 45,342,664
Fund balances - beginning	\$ 44,619,699	\$ 6,793,571	\$ 23,394,550	\$ 16,940,733	\$ 91,748,552
Fund balances - ending	<u>\$ 50,940,661</u>	<u>\$ 35,930,368</u>	<u>\$ 27,323,228</u>	<u>\$ 22,896,959</u>	<u>\$ 137,091,216</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022**

MCAG No. 1015

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

Net change in fund balances - total governmental funds	\$ 45,342,664
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded/ (were less than) depreciation in the current period.	17,318,644
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(32,500,634)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	480,159
Some expenses 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.	1,881,381
Internal service funds are used by management to charge the costs of fleet management, management information systems, and unemployment to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	351,421
Change in net position of governmental activities	\$32,873,636

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2022

MCAG No. 1015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 31,342,233	\$ 34,522,445	\$ 38,936,612	\$ 4,414,167
Licenses & Permits	\$ 3,786,795	\$ 3,879,529	\$ 4,778,742	\$ 899,213
Intergovernmental	\$ 4,821,246	\$ 5,269,290	\$ 5,238,098	\$ (31,192)
Charges for Services	\$ 1,771,329	\$ 1,919,319	\$ 2,361,597	\$ 442,278
Fines & Forfeits	\$ 404,000	\$ 404,000	\$ 112,233	\$ (291,767)
Investment Earnings	\$ 69,000	\$ 69,000	\$ 129,488	\$ 60,488
Miscellaneous	\$ 2,483,540	\$ 2,406,861	\$ 3,155,100	\$ 748,239
Total revenues	<u>\$ 44,678,143</u>	<u>\$ 48,470,444</u>	<u>\$ 54,711,869</u>	<u>\$ 6,241,425</u>
EXPENDITURES				
General Government Services	\$ 14,009,925	\$ 14,930,849	\$ 13,305,111	\$ (1,625,738)
Public Safety	\$ 18,339,703	\$ 18,468,302	\$ 17,280,902	\$ (1,187,400)
Utilities	\$ -	\$ -	\$ -	\$ -
Transportation	\$ 3,233,474	\$ 3,729,507	\$ 3,271,191	\$ (458,316)
Natural & Economic Environment	\$ 4,319,123	\$ 5,545,483	\$ 5,144,570	\$ (400,913)
Culture & Recreation	\$ 6,443,423	\$ 7,444,097	\$ 6,358,091	\$ (1,086,006)
Redemption of Gen. L-T Debt	\$ -	\$ -	\$ -	\$ -
Int. & Other Debt Svc Costs	\$ -	\$ -	\$ -	\$ -
Capital Exps - General Government	\$ -	\$ -	\$ -	\$ -
Capital Exps - Public Safety	\$ -	\$ -	\$ -	\$ -
Capital Exps - Economic Environment	\$ -	\$ -	\$ -	\$ -
Capital Exps - Transportation	\$ -	\$ -	\$ -	\$ -
Capital Exps - Culture and Recreation	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ 46,345,648</u>	<u>\$ 50,118,238</u>	<u>\$ 45,359,865</u>	<u>\$ (4,758,373)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (1,667,505)</u>	<u>\$ (1,647,794)</u>	<u>\$ 9,352,004</u>	<u>\$ 10,999,798</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Street Vacation	\$ -	\$ -	\$ -	\$ -
General Obligation Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Premium on Bonds Issued	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ 1,774,059	\$ 2,028,244	\$ 2,322,319	\$ 294,075
Transfers Out	\$ (2,676,086)	\$ (5,180,450)	\$ (5,644,307)	\$ (463,857)
Leases (as Lessee)	\$ -	\$ -	\$ 290,946	\$ 290,946
Proceeds from the Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -
Insurance Recoveries	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Total other financing sources and uses	<u>\$ (887,027)</u>	<u>\$ (3,137,206)</u>	<u>\$ (3,031,042)</u>	<u>\$ 106,164</u>
Net change in fund balances	<u>\$ (2,554,532)</u>	<u>\$ (4,785,000)</u>	<u>\$ 6,320,962</u>	<u>\$ 11,105,962</u>
Fund balances - beginning	<u>\$ 2,554,532</u>	<u>\$ 6,009,022</u>	<u>\$ 44,619,699</u>	<u>\$ 38,610,677</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,224,022</u>	<u>\$ 50,940,661</u>	<u>\$ 49,716,639</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022**

MCAG No. 1015

	Business-Type Activities			Governmental
	Surface Water Utility Fund	Wastewater Utility Fund	Total Enterprise Funds	Internal Service Funds
ASSETS and DEFERRED OUTFLOWS of RESOURCES				
Current Unrestricted Assets:				
Cash and cash equivalents	\$ 888,198	\$ 998,424	\$ 1,886,623	\$ 423,486
Investments	\$ 7,775,732	\$ 7,134,238	\$ 14,909,971	\$ 4,194,321
Receivables				
Accounts	\$ 289,463	\$ 2,328,002	\$ 2,617,465	\$ -
Interest	\$ 25,516	\$ 23,411	\$ 48,926	\$ 13,763
LT Note Rec: Current Portion	\$ -	\$ 12,271	\$ 12,271	\$ -
Due from Other Governments	\$ 863,460	\$ 134,693	\$ 998,152	\$ -
Prepayments	\$ 23,549	\$ 24,597	\$ 48,146	\$ -
Total Current Unrestricted Assets	\$ 9,865,918	\$ 10,655,635	\$ 20,521,554	\$ 4,631,571
Current restricted assets:				
Cash and cash equivalents	\$ -	\$ 4,101	\$ 4,101	\$ -
Total Current restricted assets	\$ -	\$ 4,101	\$ 4,101	\$ -
Total Current assets	\$ 9,865,918	\$ 10,659,737	\$ 20,525,655	\$ 4,631,571
Noncurrent Unrestricted Assets:				
Notes Receivable	\$ -	\$ 66,673	\$ 66,673	\$ -
Capital assets not being depreciated:				
Land	\$ 156,732	\$ 564,588	\$ 721,320	\$ -
Construction in Progress	\$ 9,771,511	\$ 5,362,819	\$ 15,134,330	\$ -
Capital assets being depreciated:				
Buildings	\$ -	\$ 1,432,594	\$ 1,432,594	\$ -
Improvements other than buildings	\$ 343,939	\$ 241,051	\$ 584,990	\$ -
Machinery & Equipment	\$ 381,397	\$ 811,916	\$ 1,193,313	\$ 1,119,926
Infrastructure	\$ 13,806,737	\$ 23,427,655	\$ 37,234,393	\$ -
Intangibles	\$ -	\$ 26,912	\$ 26,912	\$ -
Total capital Assets (net)	\$ 24,460,317	\$ 31,867,536	\$ 56,327,852	\$ 1,119,926
Net Pension Asset:	\$ 463,196	\$ 311,897	\$ 775,093	\$ -
Total Noncurrent Unrestricted Assets	\$ 24,923,513	\$ 32,246,106	\$ 57,169,619	\$ 1,119,926
TOTAL ASSETS	\$ 34,789,431	\$ 42,905,842	\$ 77,695,273	\$ 5,751,497
DEFERRED OUTFLOWS of RESOURCES				
Deferred Outflows - Pension	\$ 431,368	\$ 376,622	\$ 807,990	\$ -
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 842,421	\$ 396,965	\$ 1,239,386	\$ 717
Salaries, Taxes & Benefits Payable	\$ 44,221	\$ 43,683	\$ 87,904	\$ 20,602
Interest Payable	\$ 12,583	\$ -	\$ 12,583	\$ -
Retainage Payable	\$ 1,424	\$ -	\$ 1,424	\$ -
Deferred Revenues	\$ -	\$ 538,763	\$ 538,763	\$ -
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	\$ 18,539	\$ 21,120	\$ 39,659	\$ -
Custodial Accounts	\$ -	\$ 798,708	\$ 798,708	\$ 34,438
Current Year Portion Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -
Revenue Bonds Payable	\$ 403,153	\$ -	\$ 403,153	\$ -
Compensated Absences Payable	\$ 20,039	\$ 9,636	\$ 29,674	\$ -
Net Pension Liability	\$ 23,131	\$ 23,112	\$ 46,243	\$ -
Total current liabilities	\$ 1,365,510	\$ 1,831,987	\$ 3,197,497	\$ 55,757
Noncurrent Liabilities:				
Compensated Absences Payable	\$ 105,659	\$ 86,722	\$ 192,381	\$ -
Revenue Bonds Payable	\$ 4,239,172	\$ -	\$ 4,239,172	\$ -
Net Pension Liability	\$ 208,179	\$ 208,008	\$ 416,186	\$ -
Total noncurrent liabilities	\$ 4,553,009	\$ 294,730	\$ 4,847,739	\$ -
TOTAL LIABILITIES	\$ 5,918,519	\$ 2,126,717	\$ 8,045,236	\$ 55,757
DEFERRED INFLOWS of RESOURCES				
Deferred Inflows - Pension	\$ 480,736	\$ 325,595	\$ 806,331	\$ -
NET POSITION				
Net Investment in Capital Assets	\$ 19,386,934	\$ 31,021,192	\$ 50,408,126	\$ 1,120,643
Restricted	\$ -	\$ 4,101	\$ 4,101	\$ -
Unrestricted	\$ 9,434,610	\$ 9,804,859	\$ 19,239,470	\$ 4,575,097
TOTAL NET POSITION	\$ 28,821,544	\$ 40,830,153	\$ 69,651,697	\$ 5,695,740

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended December 31, 2022

MCAG No. 1015

	Business-Type Activities			Governmental Activities
	Surface Water Utility Fund	Wastewater Utility Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Licenses & Permits		\$ 96,658	\$ 96,658	
Charges for Services	\$ 8,225,294	\$ 18,760,764	\$ 26,986,058	\$ 528,175
Total operating revenues	<u>\$ 8,225,294</u>	<u>\$ 18,857,422</u>	<u>\$ 27,082,716</u>	<u>\$ 528,175</u>
OPERATING EXPENSES:				
Administration and General Operations	\$ 3,444,028	\$ 2,075,805	\$ 5,519,833	\$ 76,758
Maintenance and Operations	\$ 1,341,614	\$ 15,352,606	\$ 16,694,219	\$ 303,074
Depreciation	\$ 470,141	\$ 1,164,982	\$ 1,635,122	\$ 338,718
Total operating expenses	<u>\$ 5,255,783</u>	<u>\$ 18,593,392</u>	<u>\$ 23,849,175</u>	<u>\$ 718,550</u>
Operating income	<u>\$ 2,969,512</u>	<u>\$ 264,030</u>	<u>\$ 3,233,541</u>	<u>\$ (190,375)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 37,484	\$ 27,585	\$ 65,069	\$ 11,280
Fines & Forfeits	\$ -	\$ 35,091	\$ 35,091	\$ -
Miscellaneous	\$ 48,890	\$ 58,616	\$ 107,506	\$ -
Interest and Other Related Costs	\$ (149,719)	\$ -	\$ (149,719)	\$ -
Intergovernmental	\$ 1,225,994	\$ -	\$ 1,225,994	\$ -
Total Nonoperating revenues (expenses)	<u>\$ 1,162,650</u>	<u>\$ 121,292</u>	<u>\$ 1,283,942</u>	<u>\$ 11,280</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>\$ 4,132,162</u>	<u>\$ 385,322</u>	<u>\$ 4,517,483</u>	<u>\$ (179,096)</u>
Capital Contributions - Other Governments	\$ -	\$ 2,821,563	\$ 2,821,563	\$ -
Gain/(Loss) from Sale of Capital Assets	\$ -	\$ 2,205	\$ 2,205	\$ 10,401
Insurance Recovery	\$ -	\$ -	\$ -	\$ 10,262
Transfers In	\$ 347,273	\$ 37,902	\$ 385,175	\$ 808,056
Transfers Out	\$ (1,124,977)	\$ (1,066,932)	\$ (2,191,910)	\$ (298,203)
Special/Extraordinary Items	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET POSITION	<u>\$ 3,354,458</u>	<u>\$ 2,180,059</u>	<u>\$ 5,534,516</u>	<u>\$ 351,421</u>
NET POSITION				
Total net position - beginning	\$ 25,467,087	\$ 38,650,094	\$ 64,117,180	\$ 5,344,319
Total net position - ending	<u>\$ 28,821,544</u>	<u>\$ 40,830,152</u>	<u>\$ 69,651,697</u>	<u>\$ 5,695,740</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

MCAG No. 1015

	Business-Type Activities			Governmental Activities
	Surface Water Utility Fund	Wastewater Utility Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$8,462,017	\$18,510,336	\$26,972,352	
Receipts from interfund services provided			-	528,175.23
Payments to suppliers	(2,550,926)	(15,868,837)	(18,419,763)	(401,400)
Payments to employees	(1,973,304)	(1,864,533)	(3,837,837)	(326)
Payments for interfund services used	(43,904)	(19,625)	(63,528)	
Net cash provided by operating activities	<u>3,893,883</u>	<u>757,341</u>	<u>4,651,225</u>	<u>126,449</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	5,805		5,805	
Transfers from other funds	347,273	15,879	363,152	136,682
Transfers to other funds	(1,124,977)	(1,066,932)	(2,191,910)	
Customer note receipts		59,729	59,729	
Customer note issuances		(27,210)	(27,210)	
Interest received on customer notes		8,586	8,586	
Insurance recovery			0	10,262
Miscellaneous revenues	48,890	93,707	142,597	
Net cash provided (used) by noncapital activities	<u>(723,009)</u>	<u>(916,241)</u>	<u>(1,639,250)</u>	<u>146,944</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt			-	
Capital grants	677,003		677,003	
Capital donations		2,821,563	2,821,563	
Acquisition and construction of capital assets	(6,212,289)	(2,627,887)	(8,840,177)	(99,873)
Principal paid on capital debt	(391,390)		(391,390)	
Interest paid on capital debt	(150,693)		(150,693)	
Transfers from other funds		22,023	22,023	671,374
Transfers to other funds			0	(298,203)
Proceeds from sale of capital assets		2,205	2,205	76,517
Net cash provided (used) by capital and related financing activities	<u>(6,077,369)</u>	<u>217,903</u>	<u>(5,859,466)</u>	<u>349,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of investment income	114,196	94,269	208,465	54,180
Proceeds from the sale of investments	19,246,505	17,186,367	36,432,871	7,625,245
Purchase of investments	(18,960,700)	(17,769,102)	(36,729,803)	(8,586,312)
Net cash provided by investing activities	<u>400,000</u>	<u>(488,467)</u>	<u>(88,467)</u>	<u>(906,887)</u>
Net increase (decrease) in cash and cash equivalents	(2,506,495)	(429,463)	(2,935,958)	(283,679)
Cash and cash equivalents, January 1	<u>3,394,693</u>	<u>1,431,989</u>	<u>4,826,682</u>	<u>707,165</u>
Cash and cash equivalents, December 31	<u><u>888,198</u></u>	<u><u>1,002,526</u></u>	<u><u>1,890,724</u></u>	<u><u>423,486</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	<u>2,969,512</u>	<u>264,030</u>	<u>3,233,542</u>	<u>(190,375)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation expense	470,141	1,164,982	1,635,122	338,718
(Increase) Decrease in accounts receivable	251,182	(466,021)	(214,839)	
(Increase) Decrease in due from other government	(14,459)	(6,461)	(20,921)	
(Increase) Decrease in prepaids	(1,828)	(6,131)	(7,959)	
(Increase) Decrease in net pension asset	689,214	697,813	1,387,027	
(Increase) Decrease in deferred outflows - pension	(249,264)	(252,503)	(501,767)	
Increase (Decrease) in wages and benefits payable	(14,281)	(10,909)	(25,190)	
Increase (Decrease) in accounts payable	360,755	70,033	430,788	(27,974)
Increase (Decrease) in customer deposits		71,269	71,269	
Increase (Decrease) in utility services billed in advance		51,981	51,981	
Increase (Decrease) in intergovernmental payables		(218,581)	(208,372)	6,080
Increase (Decrease) in compensated absences payable	10,209	(2,928)	11,624	
Increase (Decrease) in net pension liability	128,779	130,385	259,164	
Increase (Decrease) in deferred inflows - pension	(720,627)	(729,618)	(1,450,245)	
Total adjustments	<u>924,372</u>	<u>493,312</u>	<u>1,417,683</u>	<u>316,824</u>
Net cash provided by operating activities	<u><u>\$3,893,884</u></u>	<u><u>\$757,341</u></u>	<u><u>\$4,651,225</u></u>	<u><u>\$126,449</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE, WASHINGTON
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022**

MCAG No. 1015

	CUSTODIAL FUND
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,496
TOTAL ASSETS	\$ 1,496
LIABILITIES	
Current Liabilities:	
Due to Other Governments	\$ 1,496
Total current liabilities	\$ 1,496
Noncurrent Liabilities:	
Total noncurrent liabilities	\$ -
TOTAL LIABILITIES	\$ 1,496
NET POSITION	
Invested in capital assets, net of related debt	-
Restricted	
Unrestricted	
TOTAL NET POSITION	\$ -

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE
STATEMENT OF CHANGES IN NET POSITION
FUDICIARY FUNDS
For the Year Ended December 31, 2022**

MCAG No. 1015

	CUSTODIAL FUND
ADDITIONS	
Fees collected for another governmental entity	\$ 8,122
Less: Fees remitted to another governmental entity	\$ (8,378)
Total Net Additions	\$ (256)
DEDUCTIONS	
Fees payable to another governmental entity	\$ 8,122
Less: Fees remitted to another governmental entity	\$ (8,378)
Total Deductions	\$ (256)
CHANGE IN NET POSITION	\$ -
NET POSITION	
Total net position - beginning	\$ -
Total unassigned net position - ending	\$ -

The accompanying notes are an integral part of this statement.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Shoreline 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.

A. REPORTING ENTITY

The City of Shoreline was incorporated on August 31, 1995, and operates under the laws of the state of Washington applicable to a non-charter code city with a Council-Manager form of government. Shoreline is administered by a City Manager and a seven-member City Council, with one of its members serving as Mayor. The City's major operations are as authorized under the laws of the State of Washington applicable to a non-charter code city.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The City's policy is not to allocate indirect costs to a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The financial statements for governmental funds are prepared using the current resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, when they are both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by deferred inflows of resources. The City considers property taxes collected within 60 days of year end to be available. Intergovernmental revenues received as reimbursement for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues and recreation revenues received but not earned are recorded as unearned revenues. Franchise fees, licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued when earned.

Retail Sales and Use Taxes and Business and Occupation Taxes: Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds, requires that revenues from taxpayer-assessed taxes such as sales taxes,

net of estimated refunds, should be recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to the long-term portion of compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's operating fund. It accounts for all financial resources and transactions of the general government except those required to be accounted or elected to be accounted for in another fund. Major resources include property tax, sales tax, utility tax and franchise fees, gambling tax, licenses and permits, charges for services and intergovernmental revenue. Major programs include public safety (police, prosecuting attorney, jail housing, permitting, building inspection, and code enforcement), general governmental services (finance, legal, human resources, and facilities), culture and recreation (parks and recreation), natural and economic environment (economic development, planning, and environmental services).

General Capital Improvement Fund

This fund receives resources designated specifically for capital purposes such as proceeds from the 2006 General Obligation Bond and the 2013 Limited Tax General Obligation Bond as well as real estate excise tax. Projects in the General Capital Fund are divided into two major categories: facilities projects and parks projects.

Roads Capital Improvement Fund

This fund receives resources designated specifically for transportation related capital purposes such as funding from the TBD, real estate excise tax, capital grants, and support from the General Fund. Projects in the Roads Capital Fund are divided into three major categories: pedestrian/non-motorized projects, system preservation projects, and safety/operational projects.

The City reports the following major proprietary funds:

Surface Water Utility Enterprise Fund

This fund accounts for the resources received and expenses required for the operations of the City's surface water utility and construction of capital facilities. The primary revenue source for this fund is a storm drainage fee which is assessed annually against both residential and commercial properties.

Wastewater Utility Fund

This fund accounts for the resources received and expenses required for the operations of the City's wastewater utility and construction of capital facilities. The primary revenue source for this fund are wastewater fees billed against both residential and commercial properties on a monthly basis.

Additionally, the City reports the following fund types:

Debt Service Funds account for the accumulation of resources for the payment of general obligation bond principal, interest, and related costs.

Internal Service Funds account for equipment rental and fleet management provided to other departments of the City on a cost reimbursement basis. Also included is the management of unemployment related costs which is solely funded by the General Fund and is not charged on a reimbursement basis.

A Custodial Fund is used to account for the collection of state sales tax and other fees of the State of Washington for other special districts.

Generally, the effect of interfund activity has been eliminated from 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. The principal operating revenues of the surface water utility fund are surface water utility fees. The primary operating revenues of the internal service funds are interfund charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

1. Budgetary Basis of Accounting

Biennial appropriated budgets are adopted for the general, special revenue, debt service, internal service, and proprietary funds on the modified accrual basis of accounting and constitute the legal authority for expenditures. The appropriated budget is prepared by fund, and while each department and year has a budget plan, the expenditure appropriation is at the fund level for the biennium. Appropriations in all budgeted funds lapse at the end of the biennium even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments).

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at the end of the biennium, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Amending the Budget

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.

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

The financial statements contain the original and final budget information for the General Fund based on the budget plan. The original budget is the budget plan for 2022 as included in the first biennial budget appropriation. The final budget is the original budget plan adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the 2022 fiscal year.

D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND EQUITIES

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash held in the City's bank accounts, petty cash, and change accounts and are therefore included as cash equivalents. See Note 2, Deposits and Investments for additional information.

2. Investments (See Note 2 Deposits and Investments)

3. Receivables

Taxes Receivable consist of property taxes, surface water utility taxes, and related interest and penalties (see Note 3 *Property Taxes*). Accrued Interest Receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer Accounts Receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods or services rendered and for taxes due to the City.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. All outstanding balances between funds are reported as due to/from other funds. Additional information regarding interfund loans is disclosed in Note 12, Interfund Receivables, Payables and Transfers.

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

These accounts include amounts due to or from other governments for grants, entitlements, taxes, and charges for services.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$4,999 and an estimated useful life in excess of one year. 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/efficiency or increase the life 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. With the implementation of GASB Statement 89, *Accounting for Interest Cost Incurred before the End of Construction Period* GASB Statement 89, *Accounting for Interest Cost Incurred before the End of Construction Period* interest GASBS No. 89, *Accounting for Interest Cost Incurred before the End of Construction Period*, interest incurred during the construction phase of the capital assets of business-type activities is no longer included as part of the capitalized value of the assets.

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

Asset Class	Years
Buildings	20-30
Infrastructure	25-80
Other Improvements	2-50
Vehicles	5-10
Computer Equipment	3-5

See Note 4 *Capital Assets* for additional information.

6. Pensions

For purposes of measuring the net pension liability, 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/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows).

7. Deferred Outflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position which applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City recognizes deferred outflows of resources relating to its pension plans.

See Note 6 *Pension Plans*, for additional information.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave or accrued compensatory time. Compensated absence liabilities are reported in the government-wide statements, as well as the proprietary funds.

Vacation leave, which may be accumulated up to 368 hours, is payable upon resignation, retirement or death.

Sick leave accrues at the rate of 8 hours per month and is only payable separation if the employee is eligible for retirement, as defined by the rules and regulations of the Washington State Public Employees Retirement System. In the event an employee qualifies for a sick leave cash-out, the employee is paid for 10% of his accrued but unused sick leave.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt

(See Note 10 – Long-Term Debt and Note 11 - Changes to Changes in Long-Term Liabilities)

11. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds. In these instances, the revenue recognition criteria have not been met as discussed in Note 1C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*.

12. Deferred Inflows

In addition to liabilities, the statement of financial position reports a separate section for the deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenues) until that time. Unavailable revenues from prepayments and property taxes are reported as deferred inflows on the governmental fund statements. Only the unavailable revenues from non-property tax sources are included in the government-wide statements. This amount is deferred and recognized as an inflow of resources in the period when the amounts become available. The City also recognizes deferred inflow of resources relating to its pension plans.

See Note 6 *Pension Plans*, for additional information.

13. Fund Balance Classifications

The components for reporting the City's fund balances are non-spendable, restricted, committed, assigned and unassigned.

- A. Non-spendable fund balance cannot be spent because it is either not in a spendable form (such as inventory or prepaids) or it is legally or contractually required to remain intact.
- B. Restricted fund balance includes amounts where constraints have been imposed by external parties, including creditors, grantors, and laws and regulations of other governments.
- C. For committed fund balance the government's highest level of decision-making authority is the City Council and a formal action by ordinance, resolution or motion is required to be taken to establish, modify or rescind a fund balance commitment.
- D. For assigned fund balance the City Council assigns amounts to a specific purpose (for example - budgeted use of fund balance) by adopting an ordinance to establish or amend the City's budget.
- E. Unassigned fund balance is any remaining amount after accounting for A-D above.

For the classification of fund balances the government considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City's assumed spending order of fund balances is committed balances first, followed by assigned balances, then finally unassigned amounts.

14. Fund Balance Details

Fund balances in the governmental funds at December 31, 2022 were as follows:

Fund Balance Components	Fund	Details	Amount	Total
Nonspendable Fund Balance	General	Prepaid Expenditures	\$ 213,507	
	General Capital	Prepaid Expenditures	3,424	
	Roads Capital	Prepaid Expenditures	19,943	
	Other Governmental	Prepaid Expenditures	17,850	\$ 254,724
Restricted Fund Balance	General Capital	Restricted for Parks Bond projects	33,726,020	
	Other Governmental	Restricted for police use only	230,277	
	Other Governmental	Restricted for parks	4,503,033	
	Other Governmental	Restricted for 2006 UTGO Bond Payments	14,014	
	Other Governmental	Restricted for sidewalk expansion debt service	8,008,282	
	Other Governmental	Restricted for transportation	8,514,811	
	Roads Capital	Restricted for transportation	16,647,248	71,643,686
Committed Fund Balance	General	Cash Flow Reserve	3,000,000	
	General	Committed for pandemic response	2,522,069	
	General	Revenue Stabilization	5,626,168	
	General	Budget Contingency/Insurance Reserves	1,247,637	
	General	Imprest Cash	6,950	12,402,824
Assigned Fund Balance	General	Available Fund Balance	12,552,708	
	Other Governmental	Available Fund Balance	2,200,924	
	General Capital	Available Fund Balance	1,608,693	
	Roads Capital	Available Fund Balance	10,656,036	27,018,362
Unassigned	General	Remaining Fund Balance	25,771,621	25,771,621
		Total Fund Balances	\$ 137,091,217	\$ 137,091,217

15. Minimum Fund Balances

The City's Reserve and Fund Balance Policies as adopted by motion of the City Council include the following provisions.

General Fund Operating Reserves

The City shall maintain a General Fund Operating Reserve to provide adequate cash flow, budget contingencies, and insurance reserves. The General Fund Operating Reserves will be determined as follows:

1. Cash Flow Reserve: The City shall maintain a cash flow reserve within the General Fund in an amount equal to \$3,000,000. The City will review annually the required cash flow reserve level that is necessary to meet the City's cash flow needs. If it is determined that \$3,000,000 is not adequate, the Finance Director shall propose an amendment to these policies.
2. Revenue Stabilization Reserve: The City shall maintain a revenue stabilization reserve of \$5,626,456 equal to thirty percent (30%) of annual economically sensitive revenues within the City's operating budget to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods.
3. Budget Contingency: The City shall maintain a budget contingency reserve within the General Fund equal to 2% of budgeted operating revenues.
4. Insurance Deductible Reserve: The City shall maintain an insurance reserve within the General Fund to be used for potential substantial events that cause damage to the City's fixed assets and/or infrastructure.

Equipment and Vehicle Replacement Reserves

The City will maintain fully funded reserves for the replacement of vehicles, computer equipment, and other equipment identified on the City’s fixed asset listing. Contributions will be made through assessments to the using funds and maintained on a per asset basis.

City Street Fund Reserves

The City shall maintain an operating reserve within the City’s Street Fund an amount equal to 20% of annually budgeted operating revenues.

Surface Water Utility Fund Reserves

The City shall maintain an operating reserve within the Surface Water Utility Fund of an amount equal to no less than 20% of budgeted operating revenues.

Note 2 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

At December 31, 2022, cash on hand was \$12,258,079, excluding \$1,496 on hand for the Custodial Fund. The carrying amount of the City’s deposits was \$9,696,992 and the bank balance was \$16,363,485.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The city deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. INVESTMENTS

Interest Rate Risk: Interest rate risk is the risk the city may face should interest rate variances affect the fair value of investments. The city does not have a formal policy that addresses interest rate risk.

Investment Type	Fair Value	Maturities Less Than 1 Year	Maturities 1 to 3 Year
U.S. Treasuries	\$ 62,525,210	\$ 25,966,131	\$ 36,559,079
U.S. Agencies	21,139,501	12,340,438	8,799,063
Total	\$ 83,664,710	\$ 38,306,568	\$ 45,358,142

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The city does not have a formal policy that addresses credit risk.

Investment Type	Fair Value	Aaa
U.S. Treasuries	\$ 62,525,210	\$ 62,525,210
U.S. Agencies	21,139,501	21,139,501
Total	\$ 83,664,710	\$ 83,664,710

Rating agency: Moody’s

Investments in Local Government Investment Pool (LGIP)

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

As of December 31, 2022, the City’s investment in the LGIP totaled \$63,438,802.

Investments Measured at Fair Value

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

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

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

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Agency Obligations	\$ 21,139,501	\$ 21,139,501		
Federal Treasury Obligations	62,525,210	62,525,210		
Total Investments by Fair Value Level	\$ 83,664,710	\$ 83,664,710	\$ -	\$ -

Summary of Deposit and Investment Balances

Reconciliation of city’s deposits and investment balances as of December 31, 2022, is as follows:

	Government Wide	Fiduciary Fund	Total
Cash on Hand	\$ 9,702,446	\$ 1,496	\$ 9,703,942
Deposits in State LGIP	63,438,802		63,438,802
Non-Pooled Investments	83,664,710		83,664,710
Total Deposits and Investments	\$ 156,805,958	\$ 1,496	\$ 156,807,454

Note 3 - PROPERTY TAXES

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

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills start being 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 market value.
October 31	Second installment is due.

Property taxes are recorded as receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The City may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services.

The City's regular levy for 2022 was \$1.13188 per \$1,000 on an assessed valuation of \$13,403,650,329 for a total regular levy of \$15,171,323.

The Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

In 2022, Shoreline voters passed Proposition 1, which sets Shoreline's maximum regular property tax rate to \$1.39/\$1,000 for collection in 2023; sets the limit factor for levy increases in 2024-2028 at 100% plus annual inflation (Seattle CPI-U); uses the 2028 levy amount to calculate subsequent levy limits; and exempts qualifying seniors and persons with disabilities per RCW 84.36.381.

Note 4 – CAPITAL ASSETS AND DEPRECIATION**A. Capital asset activity for the year ended December 31, 2022, was as follows:**

Governmental Activities	Beginning Balance 01/01/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital Assets, not being depreciated:				
Land	\$ 162,020,148	\$ 13,072,502	\$ -	\$ 175,092,650
Construction in Progress	\$ 18,500,980	\$ 12,847,626	\$ (225,612)	\$ 31,122,994
Total Capital Assets, not being depreciated:	\$ 180,521,128	\$ 25,920,128	\$ (225,612)	\$ 206,215,643
Capital Assets, being depreciated:				
Right-to-use leased land	\$ -	\$ 125,708	\$ -	\$ 125,708
Buildings	\$ 47,215,383	\$ -	\$ -	\$ 47,215,383
Improvements other than buildings	\$ 22,199,288	\$ 422,471	\$ -	\$ 22,621,759
Machinery and equipment	\$ 5,931,161	\$ 155,638	\$ (322,616)	\$ 5,764,182
Right-to-use leased equipment	\$ -	\$ 165,238	\$ -	\$ 165,238
Infrastructure	\$ 267,179,630	\$ -	\$ -	\$ 267,179,630
Total Capital Assets, being depreciated:	\$ 342,525,462	\$ 869,055	\$ (322,616)	\$ 343,071,900
Less Accumulated Depreciation for:				
Right-to-use leased land	\$ -	\$ (33,247)	\$ -	\$ (33,247)
Buildings	\$ (17,467,761)	\$ (1,507,790)	\$ -	\$ (18,975,551)
Improvements other than buildings	\$ (10,213,157)	\$ (665,707)	\$ -	\$ (10,878,865)
Machinery and equipment	\$ (3,408,503)	\$ (469,379)	\$ 250,557	\$ (3,627,324)
Right-to-use leased equipment	\$ -	\$ (39,934)	\$ -	\$ (39,934)
Infrastructure	\$ (135,504,026)	\$ (6,549,949)	\$ -	\$ (142,053,975)
Total Accumulated Depreciation	\$ (166,593,446)	\$ (9,266,006)	\$ 250,557	\$ (175,608,895)
Total Capital Assets, being depreciated, net	\$ 175,932,015	\$ (8,396,952)	\$ (72,059)	\$ 167,463,005
Governmental Activities Capital Assets, net	\$ 356,453,143	\$ 17,523,176	\$ (297,671)	\$ 373,678,649

Business-Type Activities	Beginning Balance 01/01/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital Assets, not being depreciated:				
Land	\$ 721,320	\$ -	\$ -	\$ 721,320
Construction in Progress	\$ 6,824,396	\$ 8,309,934	\$ -	\$ 15,134,330
Total Capital Assets, not being depreciated:	\$ 7,545,716	\$ 8,309,934	\$ -	\$ 15,855,650
Capital Assets, being depreciated:				
Buildings	\$ 2,282,926	\$ -	\$ -	\$ 2,282,926
Improvements other than buildings	\$ 641,182	\$ -	\$ -	\$ 641,182
Machinery and equipment	\$ 1,889,568	\$ 370,737	\$ (1,052)	\$ 2,259,253
Infrastructure	\$ 68,611,503	\$ 159,806	\$ -	\$ 68,771,309
Intangibles	\$ 812,807	\$ -	\$ -	\$ 812,807
Total Capital Assets, being depreciated:	\$ 74,237,986	\$ 530,543	\$ (1,052)	\$ 74,767,477
Less Accumulated Depreciation for:				
Buildings	\$ (805,077)	\$ (45,256)	\$ -	\$ (850,332)
Improvements other than buildings	\$ (47,991)	\$ (8,201)	\$ -	\$ (56,192)
Machinery and equipment	\$ (931,563)	\$ (135,128)	\$ 752	\$ (1,065,939)
Infrastructure	\$ (30,091,526)	\$ (1,445,390)	\$ -	\$ (31,536,916)
Intangibles	\$ (784,747)	\$ (1,148)	\$ -	\$ (785,895)
Total Accumulated Depreciation	\$ (32,660,905)	\$ (1,635,122)	\$ 752	\$ (34,295,275)
Total Capital Assets, being depreciated, net	\$ 41,577,082	\$ (1,104,579)	\$ (301)	\$ 40,472,202
Business-type activities Capital Assets, net	\$ 49,122,798	\$ 7,205,355	\$ (301)	\$ 56,327,852

The City's infrastructure assets consist of roads, bridges, sidewalks, trails, storm drainage facilities, and signal lights. The City's infrastructure assets were valued and depreciated in accordance with GASB Statement No. 34.

B. Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 1,261,253
Public Safety	\$ 227,553
Natural and Economic Environment	\$ -
Transportation	\$ 6,479,651
Culture & Recreational	\$ 958,831
Capital assets held by the City's internal service funds funds are charged to the various functions based on their usage of the assets	\$ 338,718
Total Depreciation - Governmental Activities	\$ 9,266,006
Business-Type Activities	
Surface Water Utility	\$ 470,141
Waste Water Utility	\$ 1,164,982
Total Depreciation - Business-Type Activities	\$ 1,635,122

Note 5 – OTHER RESTRICTED NET POSITION

The government-wide statement of net position reported \$37,862,108 in restricted net position, of which that full amount is restricted by enabling legislation.

Note 6 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (3,069,876)
Pension assets	\$ 5,200,230
Deferred outflows of resources	\$ 5,639,050
Deferred inflows of resources	\$ (5,432,309)
Pension expense/expenditures	\$ (151,853)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense

component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	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.

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

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

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
January – August 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%
September – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.39%	6.36%

The City's actual PERS plan contributions were \$681,519 to PERS Plan 1 and \$1,129,736 to PERS Plan 2/3 for the year ended December 31, 2022.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$4,101,312	\$3,069,876	\$2,169,674
PERS 2/3	\$6,123,952	(\$5,200,230)	(\$14,503,761)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, the City reported its proportionate share of the net pension liabilities/assets as follows:

	Liability (or Asset)
PERS 1	\$3,069,876
PERS 2/3	(\$5,200,230)

At June 30, 2022 the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.113304%	0.110254%	0.003050%
PERS 2/3	0.142793%	0.140214%	0.002579%

Pension Expense

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

	Pension Expense
PERS 1	\$1,302,879.37
PERS 2/3	\$(1,454,732.33)
TOTAL	\$(151,852.96)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1 & 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,288,495	\$(117,720)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(4,353,337)
Changes of assumptions	\$2,898,410	\$(758,908)
Changes in proportion and differences between contributions and proportionate share of contributions	\$565,867	\$(202,345)
Contributions subsequent to the measurement date	\$886,277	\$0
TOTAL	\$5,639,050	\$(5,432,309)

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

Year ended December 31:	PERS1
2023	\$(215,300)
2024	\$(195,548)
2025	\$(245,310)
2026	\$147,390
2027	\$-
Thereafter	\$-
TOTAL	\$(508,769)

Year ended December 31:	PERS 2/3
2023	\$(1,032,702)
2024	\$(957,603)
2025	\$(1,191,960)
2026	\$1,762,957
2027	\$635,114
Thereafter	\$613,427
TOTAL	\$(170,768)

Note 7 – LOCAL GOVERNMENT PENSION TRUST FUND PLANS

The City established a Money Purchase Retirement Plan and Trust under Internal Revenue Code Section 401(a) effective April 1996. This is a defined contribution plan, which was established in lieu of participation by the City in the Social Security system. After a transition from TIAA-CREFF in September 2022, the Plan assets are currently held with Mission Square, the current plan provider.

Under this plan, employees contribute 6.2%. The City also contributes 6.2% into the employee account. Participation in this plan is mandatory. Employee and employer contributions are vested immediately. The City contributed \$1,148,054 for the current year; the amount recognized as a pension expense for the period.

Each employee may direct his/her investments among various investment options. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age.

The City also established a Money Purchase Retirement Plan and Trust in 1997 with the ICMA Retirement Corporation, as an alternative to the Washington State Public Employees Retirement System Plan II. The only employee eligible to participate in this plan is a former City Manager.

As of December 31, 2022, the assets in the Mission Square Money Purchase Plans were valued at \$37,292,802.

The City established a 457 (b) Deferred Compensation Plan and Trust. Participation. This is a defined compensation plan where currently all elective contributions are made solely by City employees. For 2022 financial reporting, the City incorporated the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. All assets are withheld through payroll deductions and remitted to Mission Square who holds the assets. There is no city match for this benefit. Similar to the Mission Square Money Purchase Plan, each employee may direct his/her investments among various investment options. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age.

Note 8 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. SIGNIFICANT COMMITMENTS

The City requires architectural, engineering, and other professional services to plan and manage its current and future construction projects. Below is a listing of the City’s significant commitments for professional services for active and future projects:

Project	Spent to Date	Remaining Commitment
145th & I5 Interchange	\$ 31,737	\$ 636,950
145th St Corridor Improvements	5,439,471	332,283
147th/148th Ped Bridge Crossin	2,445,907	771,725
5TH AVE NE Sidewalk Project	2,027,755	1,350,710
Barnacle & Heron Creek Culvert Replacement Project	152,970	1,199,124
N 155TH Pavement	982,397	247,764
N 175th St - Stone Ave N to I-5	2,880,265	583,111
Parks and Public Works: Identification of Real Property for Acquisition and Relocation Services	195,446	605,554
Parks Bond Projects	437,762	1,375,447
Review and Inspection Services for Light Rail Facilities	1,265,329	465,084
Ridgecrest Park	322,320	381,320
Shoreline Maintenance Facility Construction Services	-	6,122,540
SR-523 and I-5 Interchange	5,872,794	344,903
Transportation Master Plan	597,562	468,689

Note 9 – LEASES

In conjunction with the implementation of GASBS 87 for fiscal year 2022, the following lessee information is provided:

During 2022, the City leased parking space from Walgreen’s for City vehicles. Per the contract renewal in 2021, the annual gross rate is \$10,080 per month. This operating lease allows the City or the lessor to cancel the lease. The term of the lease is 1 year, with a 5-year renewal option included in the lease. It is very likely that the option will be exercised and so the cost of the option years is included in the analysis below. The City

also leased approximately 2 acres of vacant land at the southeast section of the Fircrest Campus from the Washington State Department of Social and Health Services to use as an off-leash dog area and associated parking. The term of the lease is 3 years with no renewal option and ends 12/31/2024. The annual gross cost of the lease is \$24,000.

The City leases copiers from Canon Financial Services through multiple 60-month leases. The annual gross cost of the combined leases is \$41,017.

	Beginning Balance	Increases	Decreases	End Balance
Leased Land	\$ 125,708.00			\$ 92,936.00
Leased Buildings				
Leased Equipment	165,238.00			165,238.00
Total	\$ 290,946.00			\$ 290,946.00
Accumulated Depreciation Leased Buildings	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation Leased Equipment	-	39,934.00	-	39,934.00
Total	\$ -	\$ 39,934.00	\$ -	\$ 39,934.00

Year Ended December 31, 2022	Principal	Interest	Total
2023	\$ 72,820.00	\$ 2,276.00	\$ 75,096.00
2024	67,023.00	1,519.00	68,542.00
2025	39,037.00	822.00	39,859.00
2026	33,345.00	416.00	33,761.00
2027	6,651.00	69.00	6,720.00
2028-2032	-	-	-
Total	\$ 218,876.00	\$ 5,102.00	\$ 223,978.00

In conjunction with the implementation of GASBS 87 for fiscal year 2022, the following lessor information is provided:

The city leases cell tower space in both Hamlin and Keough Parks. The lease agreement for Hamlin Park is for 5 years commencing June 18, 2020, and has three additional 5-year extensions, each of which start automatically if the lessee has not notified the city in writing of its intent not to renew within 90 days of the expiration of the current term. The full lease term including optional extensions, is through June 17, 2040. The initial annual rate is \$17,603.04 and increases at a fixed rate of 2% per year through the term of the lease, including extensions. The lease agreement for Keough Park is for 5 years commencing October 1, 2018 and has four additional 5 year extensions, each of which start automatically if the lessee has not notified the city in

writing of its intent not to renew within 90 days of the expiration of the current term. The full lease term including optional extensions, is through September 30, 2043. The initial annual rate is \$40,622.40 and increases at a rate equal to CPI each year, with a 2% minimum and a 5% maximum through the term of the lease, including extensions.

The analysis in the table below assumes that both leases will be renewed through the full terms, as that is considered most likely. For the Keough Park lease, the assumed rate for the CPI is the maximum 5% per year.

Year ended December 31, 2022	Principal	Interest	Total
2022	\$ 43,689.03	\$ 19,377.05	\$ 63,066.08
2023	46,752.66	18,922.68	65,675.34
2024	49,967.73	18,436.46	68,404.19
2025	53,341.59	17,916.79	71,258.38
2026	56,881.92	17,362.04	74,243.96
2027-2031	343,929.28	77,134.80	421,064.08
2032-2036	462,552.34	56,901.36	519,453.70
2037-2041	573,710.06	29,951.66	603,661.72
2042-2043	208,417.69	3,522.66	211,940.35
Total	\$ 1,839,242.30	\$259,525.50	\$ 2,098,767.80

Note 10 – LONG TERM DEBT

The City issues general obligation and revenue bonds to finance the acquisition or construction of land, buildings, improvements, and infrastructure, and the purchase of equipment. Bonded indebtedness has also been entered into, in prior years, to advance refund general government activities and is being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

In 2022, the City issued bonds with a face value of \$37,840,000 and a net premium of \$1,826,791 for the purpose of financing and refinancing costs related to the City’s Parks, Recreation and Open Space (PROS) Plan and to pay the costs of issuing each series of bonds. Of the amount issued, \$6,100,000 was used to currently partially refund the 2020 Bond Anticipation Notes used for eligible expenditures.

General obligation bonds currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2022
Limited Tax General Obligation Bonds, 2019 Series A (Refunding 2009 General Obligation Build America Bonds)- City Hall	2039	2.50 - 5.00%	\$ 15,490,000	\$ 13,970,000
Limited Tax General Obligation Bonds, 2019 Series B - Sidewalk Prioritization Project	2034	3.00 - 5.00%	10,000,000	8,505,000
Unlimited Tax General Obligation Bonds, 2022 - Parks, Recreation, Open Space Plan	2041	4.00 - 5.00%	37,840,000	37,840,000
Total			\$ 63,330,000	\$ 60,315,000

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

Year Ending December 31, 2022	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 2,380,000	\$ 2,568,563		
2024	2,500,000	2,449,562		
2025	2,615,000	2,330,363		
2026	2,745,000	2,205,613		
2027	2,870,000	2,074,613		
2028-2032	16,680,000	8,076,212		
2033 - 2037	17,730,000	4,320,575		
2038 - 2042	12,795,000	1,207,206		
Total	\$ 60,315,000	\$ 25,232,707	\$ -	\$ -

The City issued a 2021 Limited Tax General Obligation Bond for \$8,060,000 to facilitate the delivery of sidewalk rehabilitation, annual road surface maintenance or other transportation improvement projects authorized to be supported by Vehicle License Fee (VLF) revenues. However, it is a drawdown bond, with \$2,015,000 being drawn down in 2021. In 2022, \$2,821,000 was drawn down, and \$3,224,000 is scheduled for final drawdown in 2023. As of December 2022, \$4,369,096 of drawdowns were outstanding.

General obligation bond direct placements currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2022
Limited Tax General Obligation Bonds, 2013 - Maintenance Facility	2033	3.75%	\$ 3,565,000	\$ 2,295,000
Limited Tax General Obligation Bonds, 2021- Transportation Improvements	2036	1.87%	2,015,000	4,369,096
Total			\$ 5,580,000	\$ 6,664,096

The annual debt service requirements to maturity for general obligation bond direct placements are as follows:

Year Ending December 31, 2022	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 443,970	\$ 167,765		
2024	459,165	156,266		
2025	469,906	144,296		
2026	485,539	132,031		
2027	496,283	119,285		
2028 - 2032	2,686,369	393,169		
2033 - 2037	1,622,864	74,184		
Total	\$ 6,664,096	\$ 1,186,996	\$ -	\$ -

In February of 2020, the City issued a taxable limited tax obligation Bond Anticipation Note (BAN) for \$25,000,000 in order to provide interim financing for the acquisition of property for park and recreation purposes, other capital expenditures described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the note. In June of 2022, the City retired the 2020 BAN and re-issued a limited tax obligation BAN for \$16,600,000 in order to continue the interim financing for the acquisition of property for park and recreation purposes, other capital expenditures described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the note.

General obligation BANs currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2022
Limited Tax General Obligation Bond Anticipation Notes, 2022 (Taxable) - Property Acquisition for Park and Recreation	2025	2.50%	\$ 16,600,000	\$ 16,600,000
Total			\$ 16,600,000	\$ 16,600,000

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

Year Ending December 31, 2022	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023		\$ 415,000		
2024		415,000		
2025	\$ 16,600,000	207,500		
Total	\$ 16,600,000	\$ 1,037,500	\$ -	\$ -

Direct placement revenue bonds currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2022
Surface Water Utility Revenue Bonds, 2016 - Various Surface Water Utility Projects	2031	2.23%	\$ 2,000,000	\$ 1,278,428
Surface Water Utility Revenue Bonds, 2018 - Various Surface Water Utility Projects	2033	3.35%	4,700,000	3,363,897
Total			\$ 6,700,000	\$ 4,642,325

The annual debt service requirements to maturity for direct placement revenue bonds are as follows:

Year Ending December 31, 2022	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023			\$ 403,153	\$ 138,930
2024			415,282	126,800
2025			427,787	114,297
2026			440,679	101,404
2027			453,973	88,110
2028 - 2032			2,325,865	226,200
2033 - 2037			175,586	2,941
Total	\$ -	\$ -	\$ 4,642,325	\$ 798,682

In proprietary funds, any unamortized debt issue costs for issuance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by the amortization of debt premiums and increased by the amortization of debt issuance costs and discounts. As of December 31, 2022, the proprietary funds had no unamortized debt issue costs, premiums or discounts.

At December 31, 2022, the City had cash and investments of \$8,065,588 available in the debt service funds to service the general bonded debt; no reserve requirements are stipulated by these bonds. Restricted assets in the proprietary fund contain \$0 in sinking funds and reserves, as no sinking funds or reserves are required by bond indentures.

The City has pledged future surface water revenues and ULID assessments, net of expenses, to pay \$1,278,428 and \$3,363,897 in revenue bonds issued in 2016 and 2018, respectively. Proceeds from the bonds provided financing for various storm water projects. The bonds are payable solely from net revenues of the utility. The 2016 Revenue Bonds and 2018 Revenue Bonds are payable through 2031 and 2033 respectively. Annual principal and interest payments on the bonds are expected to require less than 10% percent of net revenues. Currently, the total principal and interest remaining to be paid on the two bonds is

\$5,441,007. Principal and interest paid for revenue bonds the current year and total revenues, net of grant revenues, were \$542,083 and \$8,311,668 (as of 5.24.23) respectively.

A. Refunded Debt:

In prior years, the city defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2022, \$15,385,000 of bonds outstanding are considered defeased.

B. Authorized Debt Issuances not Issued:

In 2019, with Ordinance No. 853, the City Council authorized the issuance of one or more series of limited tax general obligation bonds in the aggregate principal amount of \$42,000,000 related to transportation improvement projects supported by voter approved Transportation Benefit District .2% Sales Tax. This authorization is set to expire December 31, 2029. The \$10,000,000 in 2019B General Obligation bonds issued in 2019 were issued under this authorization, leaving a balance of \$32,000,000 authorized for future issuances.

C. Arbitrage:

The City's bonds are subject to federal arbitrage rules which the City is committed to meeting.

D. Terms Specified in Debt Agreements Related to Significant Finance-Related Events:

The terms of the Limited 2013 G.O. Bond stipulates that, in the event of the City's failure to pay bond principal in a timely manner, "...the City shall be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity of date fixed for prepayment until the bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, and the Bond has been called for payment by giving notice of that call to the Registered Owner."

Both the 2016 and 2018 Revenue Bonds stipulate that, in the event the bonds are determined to be taxable, the interest rates will immediately be adjusted upwards. In such an eventuality, the 2016 Revenue Bonds' interest rate would be increased from 2.23% to 3.43%; and the 2018 Revenue Bonds' interest rate would be increased from 3.35% to 4.19%.

Neither the 2019A nor the 2019B G.O. Bonds "are subject to acceleration upon the occurrence of a default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal or of interest on the Bonds, the registered owners would be required to bring a separate action for each such payment not made."

The 2021 G.O. Bonds are subject to provisions relating to both taxability events and default. "Upon the occurrence and continuance of an Event of Taxability, the interest rate on the principal amounts drawn down on the 2021 Bonds shall be adjusted effective as of the date on which the Event of Taxability occurred to a taxable equivalent rate." Additionally, in the event of default (but only until such time as the default is either waived or cured by the purchaser), "the interest rate on the 2021 Bonds shall be equal to 5.87%."

In any event of default on the 2022 Bond Anticipation Notes and "until such time as such event of default has been remedied or waived in writing by the bank, the interest rate on the note shall be increased to the bank's prime rate plus five percentage points (5.0%) and the bank may pursue any other remedies to which it is entitled."

If the rate of interest on the note shall ever exceed the maximum rate allowed by law, such excess interest shall be deferred until such date that the interest rate calculated thereunder ceases to exceed such maximum rate. If there remains any excess interest owed hereunder after termination of the note the City shall pay such interest as a fee to the bank.

Note 11 – CHANGES IN LONG-TERM LIABILITIES

Compensated absences and net pension liabilities are also considered long-term liability and represent unpaid vacation, compensated time, eligible sick leave liability and the pension liability of the City. For the governmental activities, compensated absences and net pension liabilities are generally liquidated in the General Fund, Street Fund, General Capital Fund and Roads Capital Fund.

Other Long Term Liabilities	Beginning Balance 01/01/22	Additions	Reductions	Ending Balance 12/31/22
Compensated Absences				
Governmental Activity	\$ 1,152,837	\$ 1,170,017	\$ 1,152,058	\$ 1,170,796
Business-Type Activity	210,431	196,391	184,767	222,055
	1,363,268	1,366,408	1,336,825	1,392,851
Net Pension Liability				
Governmental Activity	1,180,442	2,598,036	1,171,031	2,607,447
Business-Type Activity	203,265	210,323	79,868	333,720
	1,383,707	2,808,359	1,250,899	2,941,167
Total	\$ 2,746,975	\$ 4,174,767	\$ 2,587,724	\$ 4,334,018

With the City's implementation of GASB No. 88, Certain Disclosures Related to Debt, Including Borrowings and Direct Placements, a distinction has been made between public offerings and direct placement debt. Additionally, with the City's implementation of GASB No. 87, Leases and Lease Liabilities have been classified as short-term and long-term liabilities. See Note 9, Leases, for additional information.

During the year ended December 31, 2022, the following changes occurred in the City's long-term liabilities:

	Beginning Balance 01/01/22	Additions	Reductions	Ending Balance 12/31/22	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 23,535,000	\$ 37,840,000	\$ (1,060,000)	\$ 60,315,000	\$ 2,380,000
General Obligation Bonds - Direct Placement	4,475,000	2,821,000	(631,904)	6,664,096	646,136
Bond Anticipation Notes	25,000,000	-	(8,400,000)	16,600,000	-
Unamortized Premium	3,002,824	1,826,791	(250,871)	4,578,744	289,905
Compensated Absences	1,152,837	1,170,017	(1,152,058)	1,170,797	92,113
Net Pension Liability	1,180,442	2,598,036	(1,171,031)	2,607,447	260,745
Lease Liability	-	218,875		218,875	72,820
Governmental Activity long-term liabilities	58,346,103	46,474,720	(12,665,864)	92,154,959	3,741,719
Business-Type Activities:					
Surface Water Utility Bonds - Direct Placement	5,033,715	-	391,390	4,642,325	403,153
Compensated Absences	210,431	196,391	(184,767)	222,055	29,674
Net Pension Liability	203,265	210,323	(79,868)	333,720	46,243
Business-Type Activity long-term liabilities	\$ 5,447,411	\$ 406,714	\$ 126,755	\$ 5,198,101	\$ 479,070

Note 12- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Transfers

The City’s interfund transfers are primarily to support the operations of other funds and are recorded as “Operating Transfers” and classified with “Other Financing Sources or Uses.” The principal purposes for interfund transfers include interfund subsidies and transfers into debt service and capital project funds.

Interfund transfers at December 31, 2022 were as follows:

Transfer To	Transfer From							
	General	General Capital	Roads Capital	Surface Water Utility	Wastewater Utility	Other Governmental	Internal Service	Total
General Fund	\$ -	\$ 55,003	\$ 92,454	\$ 811,948	\$ 966,139	\$ 396,079	\$ -	\$ 2,321,623
Other Governmental	\$ 2,963,649	\$ 10,047,176	\$ 572,216	\$ -	\$ -	\$ -	\$ -	\$ 13,583,041
General Capital	\$ 2,021,730	\$ 0	\$ -	\$ 188,512	\$ 35,845	\$ 648,843	\$ -	\$ 2,894,930
Roads Capital	\$ 175,395	\$ -	\$ -	\$ -	\$ -	\$ 2,001,788	\$ -	\$ 2,177,183
Surface Water Utility	\$ -	\$ -	\$ -	\$ -	\$ 49,070	\$ -	\$ 298,203	\$ 347,273
Waste Water Utility	\$ 22,023	\$ -	\$ -	\$ -	\$ 15,879	\$ -	\$ -	\$ 37,902
Internal Service	\$ 460,813	\$ -	\$ 6,455	\$ 124,517	\$ -	\$ 216,271	\$ -	\$ 808,056
Total	\$ 5,643,610	\$ 10,102,179	\$ 671,125	\$ 1,124,977	\$ 1,066,932	\$ 3,262,981	\$ 298,203	\$ 22,170,008

Note 13 - RISK MANAGEMENT

A. Property and Liability

The City of Shoreline 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 [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

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

For each of the past three fiscal years, the City did not have any settlements which exceeded its insurance coverage.

B. Health and Welfare

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

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

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

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

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

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

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

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date.

When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

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

C. Industrial Insurance

The City of Shoreline participates in the State of Washington's Employment Security Department's Industrial Insurance program. Payments are made quarterly.

D. Unemployment

The unemployment compensation insurance program is a federal-state system designed to provide partial wage loss compensation to workers during periods of temporary unemployment.

The City elected the reimbursement (self-insurance) method for claim payment and maintains the Unemployment internal service fund. The City reimburses Washington State's Employment Security Department on a quarterly basis for claims approved and paid.

Changes in claims liabilities for the two past years are as follows:

Year	Beginning Balance	Adds	Reduction	Ending Balance
2021	\$ 16,821.00	48,331.04	43,812.27	\$ 21,339.77
2022	\$ 21,339.77	76,758.19	83,752.73	\$ 14,345.23

Note 14 – TAX ABATEMENT

GASBS 77: Tax Abatement Disclosures requires that the City is disclose any tax abatements affecting its revenues, whether issued by the City or another government. Below is a table of the required disclosures:

Tax Abatement Programs For the Year Ended December 31, 2022			
Brief Description of Information:	City of Shoreline's Own Abatement	City of Shoreline's Own Abatement	Other Government Abatement
1) Name of government			State of Washington
2) Name of program	Multi-Unit Urban Housing Exemption	Nonprofit (Rental Housing or Qualifying Space)	Historical Property
3) Purpose of program	a) Encourage increased multifamily affordable and market-rate residential opportunities within targeted areas.	Encourage increased multifamily affordable housing for very low-income families.	Encourage maintenance, improvement, and preservation of privately owned historic landmarks.
	b) Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for revitalization of designated areas.		
	c) Assist in directing future population growth to targeted areas, thereby reducing development pressure on single-family residential neighborhoods.		
	d) Achieve developmental densities that stimulate a healthy economic base and are more conducive to transit use in the designated targeted area.		
4) Tax being abated	Property Tax	Property Tax	Property Tax
5) Authority to abate taxes	SMC 3.27 and RCW Chapter 84.14	RCW Chapter 84.36.560	RCW Chapter 84.26
6) Eligibility criteria	The program is meant to incentivize the creation of multi-family housing by providing a property tax exemption on new or rehabilitated multi-family buildings in exchange for setting aside a minimum of 20% of the homes as income- and rent-restricted (RCW 84.14.020) or selling a minimum of 25% of units to qualifying nonprofits or local governments that will ensure permanent affordable home ownership (RCW 84.14.21). The program is only available to	Nonprofit entities which provide low-income housing qualify if: a) The nonprofit entity benefits from the exemption; b) At least 75% of the occupied dwelling units in the rental housing or lots in a mobile park are occupied by a very low-income household. c) The rental housing or lots in a mobile home park were insured, financed, or assisted in whole or in part through one or more of the following sources:	The property must: (1) Be an historic property; (2) Fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) Be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020 within twenty-four months prior to the application for special valuation; and (4) Be protected by an agreement between the owner and the local

	<p>developers who build or rehabilitate four or more units. Additional requirements apply to rehabilitated properties which are already occupied.</p>	<p>(i) A federal or state housing program administered by the department of community, trade, and economic development; (ii) A federal housing program administered by a city or county government; (iii) An affordable housing levy authorized under RCW 84.52.105; or (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and any of the surcharges authorized in chapter 43.185C RCW.</p>	<p>review board as described in RCW 84.26.050</p>
<p>7a) Abatement Mechanism: Requisite procedures</p>	<p>Each owner of a property must enter a legally binding agreement with the City of Shoreline, which is then recorded with King County. The agreement details the affordability requirements and other stipulations for compliance with the program. In 2021, the City Council approved increasing the eligible period of exemption from 12 to 20 years, with Ordinance No. 944 for properties meeting certain additional criteria. Existing participants may apply to extend their participation to 20 years.</p>	<p>Each owner of a property must submit an application to the City of Shoreline and enter a legally binding agreement with the City upon approval.</p>	<p>An owner of property desiring special valuation under this chapter shall apply to the assessor of the county in which the property is located upon forms prescribed by the Washington State Department of Revenue (DOR) and supplied by the county assessor. If approved, the DOR issues a Property Tax Exemption Determination letter.</p>
<p>7b) Abatement Mechanism: How recipient's taxes are reduced</p>	<p>Only the ad valorem value of housing-related improvements qualifying under the terms of Chapter 3.27, are exempt. Land value continues to be taxed.</p>	<p>The ad valorem value of land, residential improvements and personal property exclusively used to provide rental housing are exempt.</p>	<p>The specially valuation amount, as determined below, is used as the exemption amount.</p>
<p>7c) Abatement Mechanism: How amount of abatement is determined</p>	<p>The entire appraised value of the participating property's residential improvements is exempt.</p>	<p>The entire appraised value of the participating property's land, residential improvements and personal are exempt.</p>	<p>The property shall be valued under RCW 84.26.070 and, each year the historic property is classified and so valued, shall enter on the assessment list and tax roll that the property is being specially valued as historic property.</p>

8) Recapture provisions	If a property fails to comply with the affordability restriction, the City Manager has the authority to cancel a tax exemption, and the Assessor has the authority to impose fines, collect back taxes, and charge interest on back taxes.	Upon cessation of a use under which an exemption has been granted pursuant to RCW 84.36.560, with certain exceptions, the county treasurer shall collect all taxes which would have been paid had the property not been exempt during the three years preceding, or the life of such exemption, if such be less, together with the interest at the same rate and computed in the same way as that upon delinquent property taxes.	With a few exceptions, whenever property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, there shall be added to the tax an additional tax equal to: (a) The cost multiplied by the levy rate in each year the property was subject to special valuation; plus (b) Interest on the amounts of the additional tax at the statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the property had not been valued as historic property under this chapter; plus (c) A penalty equal to twelve percent of the amount determined in (a) and (b) of this subsection. (2) The additional tax and penalties, together with applicable interest thereon, shall become a lien on the property which shall have priority.
9) Types of recipient commitments	To qualify for a 20-year exemption, the owner must commit to renting at least 20 percent of the dwelling units as affordable to low-income households for a term of at least 99 years, and the property must satisfy that commitment and all required affordability and income eligibility conditions adopted by the City under RCW Chapter 84.14.020.	The real and personal property owned or used by a nonprofit entity is to be used to provide rental housing for qualifying households or used to provide space for the placement of a mobile home for a qualifying household within a mobile home park	The owner shall, for the ten-year period of the classification: (a) Monitor the property for its continued qualification for the special valuation; (b) Comply with rehabilitation plans and minimum standards of maintenance as defined in the agreement; (c) Make the historic aspects of the property accessible to public view one day a year, if the property is not visible from the public right-of-way; (d) Apply to the local review

			board for approval or denial of any demolition or alteration; and (e) Comply with any other provisions in the original agreement as may be appropriate.
10) Dollar amounts of taxes abated	\$368,684	\$62,081	\$109,378
11) Amounts Received or Receivable from Other Governments Associated with Abated Taxes	N/A	N/A	N/A
12) Other commitments made by the City	N/A	N/A	
13) Quantitative threshold for individual disclosure	N/A	N/A	N/A
14) Information omitted due to legal prohibitions	N/A	N/A	N/A

Note 15 – CONTINGENCIES AND LITIGATION

A. Contingent Liabilities

The City has recorded in its financial statements all material liabilities. In the opinion of management, the City's participation in and coverage provided by the WCIA pool and insurance reserves are adequate to pay all known or pending claims.

The City is contingently liable for the repayment of refunded debt. See Note 11: Long-Term Debt.

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

B. Litigation

The City had several other lawsuits pending at the end of 2022. In the opinion of management, it is highly improbable that any of those cases would result in material liabilities to the City.

Note 16 – SUBSEQUENT EVENT

The Articles of Incorporation for the Regional Crisis Response Agency (Agency) joint venture were executed by the cities of Shoreline, Bothell, Kenmore, Kirkland, and Lake Forest Park in January 2023, and the Agency was registered with the Washington Secretary of State's Office in February 2023.

The Agency is governed by an executive committee consisting of five members representing each of the participating cities.

See the Joint Venture note for additional information.

Note 17 – JOINT VENTURE

In 2022, the cities of Shoreline, Bothell, Kenmore, Kirkland, and Lake Forest Park concluded that by combining and expanding the North Sound RADAR Navigator, a grant-funded regional “co-response” pilot program which pairs law enforcement with mental health professionals to provide crisis de-escalation, with the Kirkland Community Responder Program which responds to calls involving underlying behavioral health, substance abuse or developmental disability components, the Regional Crisis Response Agency (Agency) would provide enhanced services to its citizens.

In October of 2022, the City of Shoreline’s Council approved Resolution No. 501 authorizing the creation of the Regional Crisis Response Agency and its incorporation under 24.06 RCW as a non-profit corporation. All five participating cities in the Agency’s creation executed the interlocal agreement prior to year-end.

The Agency will be partially grant-funded, and the City of Kirkland is to cover the cost of 3.5 FTEs. The remaining start-up and operating costs will be borne by each of the cities on a pro-rata basis based upon relative populations. The City of Shoreline’s share will be 25% of startup and operating costs. In 2023, that will total \$428,823, including \$101,575 in start-up costs. Each participant is to pay 25% of its share of the annual budget quarterly no later than January 15, April 15, July 15, and October 15 each year.

In the event of dissolution, the Agency’s assets will be shared based upon the average percentage participation over the six previous years.

The Agency was not incorporated until early 2023. See the Subsequent Events note for additional information.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Shoreline
Schedule of Proportionate Share of the Net Pension Liability
PERS1
As of June 30
Last 10 Fiscal Years¹

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.110254%	0.113304%	0.105373%	0.113653%	0.098763%	0.101204%	0.091285%	0.092547%
Employer's proportionate share of the net pension liability	\$ 3,069,876	\$ 1,383,707	\$ 3,720,236	\$ 4,370,361	\$ 4,410,807	\$ 4,802,209	\$ 4,902,434	\$ 4,841,069
Covered payroll ²	\$ 16,814,875	\$ 16,536,985	\$ 16,465,835	\$ 15,774,565	\$ 12,920,189	\$ 12,483,917	\$ 10,862,070	\$ 10,277,408
Employer's proportionate share of the net pension liability as a percentage of covered payroll	18.26%	8.37%	22.59%	27.71%	34.14%	38.47%	45.13%	47.10%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	68.64%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

City of Shoreline
Schedule of Employer Contributions
PERS1
As of December 31
Last 10 Fiscal Years¹

	2022	2021	2020	2019	2018	2017	2016	2015
Statorily or contractually required contributions	\$ 1,129,736	\$ 721,986	\$ 840,453	\$ 796,386	\$ 735,652	\$ 615,665	\$ 558,303	\$ 490,337
Contributions in relation to the statorily or contractually required contributions ³	<u>\$ 1,129,736</u>	<u>\$ 721,986</u>	<u>\$ 840,453</u>	<u>\$ 796,386</u>	<u>\$ 735,652</u>	<u>\$ 615,665</u>	<u>\$ 558,303</u>	<u>\$ 490,337</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 17,886,548	\$ 16,520,114	\$ 17,305,422	\$ 15,772,024	\$ 14,348,776	\$ 12,500,392	\$ 11,469,839	\$ 10,894,759
Contributions as a percentage of covered payroll	6.32%	4.37%	4.86%	5.05%	5.13%	4.93%	4.87%	4.50%

Notes to Schedules:

¹These schedules will be built prospectively until they contain 10 years of data.

²"Covered-employee payroll" includes employee compensation, as defined by statute, that the City reported to the Washington Department of Retirement Services (DRS). Employer-reported employee compensation is used to calculate retirement contributions due the the retirement system. The total salary of wages paid to employees eligible for retirement-system coverage

³The annual required contribution changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic changes and losses.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Shoreline
Schedule of Proportionate Share of the Net Pension Liability
PERS2/3
As of June 30
Last 10 Fiscal Years¹

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.140214%	0.142793%	0.133658%	0.143868%	0.122180%	0.125482%	0.112199%	0.112877%
Employer's proportionate share of the net pension liability	\$ 5,200,230	\$ (14,224,480)	\$ 1,709,410	\$ 1,397,447	\$ 2,086,115	\$ 4,359,900	\$ 5,649,131	\$ 4,033,160
Covered payroll ²	\$ 16,677,807	\$ 16,404,851	\$ 16,334,555	\$ 15,642,084	\$ 12,747,030	\$ 12,284,105	\$ 11,280,722	\$ 10,668,684
Employer's proportionate share of the net pension liability as a percentage of covered payroll	31.18%	-86.71%	10.46%	8.93%	16.37%	35.49%	50.08%	37.80%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	97.22%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

City of Shoreline
Schedule of Employer Contributions
PERS2/3
As of December 31
Last 10 Fiscal Years¹

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,174,930	\$ 1,174,930	\$ 1,359,343	\$ 1,200,566	\$ 1,064,874	\$ 826,247	\$ 701,870	\$ 600,989
Contributions in relation to the statutorily or contractually required contributions ³	\$ 1,174,930	\$ 1,174,930	\$ 1,359,343	\$ 1,200,566	\$ 1,064,874	\$ 826,247	\$ 701,870	\$ 600,989
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ²	\$ 17,745,503	\$ 16,387,359	\$ 17,167,613	\$ 15,642,675	\$ 13,854,808	\$ 12,302,561	\$ 11,280,722	\$ 10,668,684
Contributions as a percentage of covered payroll	6.62%	7.17%	7.92%	7.67%	7.69%	6.72%	6.22%	5.63%

Notes to the Schedules:

¹"Covered-employee payroll" includes employee compensation, as defined by statute, that the City reported to the Washington Department of Retirement Services (DRS). Employer-reported employee compensation is used to calculate retirement contributions due the the retirement system. The total salary of wages paid to employees eligible for retirement-system coverage may not be reportable to the DRS.

²The annual required contribution changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic changes and losses.

³These schedules will be built prospectively until they contain 10 years of data.

**City of Shoreline
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via King County Housing and Community Development)	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-JC-53000 -1, 5EG98	227,903	-	227,903	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via King County Housing and Community Development)	Community Development Block Grants/Entitlement Grants	14.218	B-20-JC-53000 -1, 5EG98	138,147	-	138,147	-	
				366,050	-	366,050	-	
Total CDBG - Entitlement Grants Cluster:								
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	P18AP00370/1 6-1621D	486,000	-	486,000	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 8901/STPUL -HLP-523(010)	1,981,445	-	1,981,445	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9643/STPUL -1169(022)	745,515	-	745,515	-	

The accompanying notes are an integral part of this schedule.

**City of Shoreline
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9999/HLP- CNWA(021)	7,531,979	-	7,531,979	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9387/STPUL -2118(002)	3,011,492	-	3,011,492	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9075(STPUL -0523(011)	4,040,084	-	4,040,084	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9857(HSIP- 0005(557)	134,637	-	134,637	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9954/HLP- SR19(010)	232,819	-	232,819	-	
Total Highway Planning and Construction Cluster:				17,677,971	-	17,677,971	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via King County)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	OMB Approved No. 1505-0271	5,000	-	5,000	-	

The accompanying notes are an integral part of this schedule.

**City of Shoreline
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	E22-200	39,403	-	39,403	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	EMS-2020-EP- 00002-S01/E21 -177	53	-	53	-	
Total ALN 97.042:				39,456	-	39,456	-	
Total Federal Awards Expended:				18,574,477	-	18,574,477	-	

The accompanying notes are an integral part of this schedule.

CITY OF SHORELINE, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Shoreline's financial statements. The City of Shoreline uses the Generally Accepted Accounting Principles (GAAP) basis of accounting.

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

The City has elected the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance. However, this indirect cost rate was not applied to any federal grants during the year.

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 Shoreline's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
 UNIFORM GUIDANCE**

**City of Shoreline
 January 1, 2021 through December 31, 2022**

This schedule presents the corrective action planned by the City for findings reported in this report 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).

Finding ref number: 2022-001	Finding caption: The City’s internal controls over accounting and financial statement preparation were inadequate for ensuring accurate and complete financial reporting.
Name, address, and telephone of City contact person: Shauna Murphy, Finance Manager City of Shoreline 17500 Midvale Avenue N. Shoreline, WA 98133 206-801-2311	
Corrective action the auditee plans to take in response to the finding: <i>The City would like to express appreciation to the State Auditor’s Office for their work. The City has corrected the misstatements and will be allocating more resources to its future financial statement review processes. The City agrees with the SAO that it did not properly classify various material amounts in the financial reports and has corrected the errors. The City will draft standard operating procedures for reviewing the financial reports for the responsible individual to avoid such errors going forward. This knowledge will also help their conversations with the auditors in the future. Peer review is also needed at an analytical level so that it doesn't all fall on the finance manager.</i>	
Anticipated date to complete the corrective action: 02/28/24	

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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.

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