



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Orting

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

Published February 5, 2024

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

February 5, 2024

Mayor and City Council
City of Orting
Orting, Washington

Report on Financial Statements

Please find attached our report on the City of Orting's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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 Orting January 1, 2022 through December 31, 2022

Mayor and City Council
City of Orting
Orting, 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 City of Orting, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 30, 2024.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

January 30, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Orting
Orting, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Orting, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Orting, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Orting, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. 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 unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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 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
- We are required to 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 January 30, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 30, 2024

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

City of Orting
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense	101 City Streets	104 Cemetery
Beginning Cash and Investments					
308	Beginning Cash and Investments	19,563,282	1,657,641	486,297	90,872
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	4,313,915	3,359,846	415,699	-
320	Licenses and Permits	300,134	300,134	-	-
330	Intergovernmental Revenues	2,081,461	333,411	260,864	-
340	Charges for Goods and Services	6,429,466	277,288	-	59,253
350	Fines and Penalties	100,928	52,178	-	-
360	Miscellaneous Revenues	519,198	204,534	39,882	1,198
Total Revenues:		13,745,102	4,527,391	716,445	60,451
Expenditures					
510	General Government	1,094,304	1,094,304	-	-
520	Public Safety	2,349,718	2,349,592	-	-
530	Utilities	3,555,235	-	-	90,845
540	Transportation	330,456	11,981	318,475	-
550	Natural/Economic Environment	164,245	164,245	-	-
560	Social Services	3,354	3,354	-	-
570	Culture and Recreation	523,411	194,267	-	-
Total Expenditures:		8,020,723	3,817,743	318,475	90,845
Excess (Deficiency) Revenues over Expenditures:		5,724,379	709,648	397,970	(30,394)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,472,645	2,442,789	-	29,856
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	8,703	8,703	-	-
Total Other Increases in Fund Resources:		2,481,348	2,451,492	-	29,856
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,557,062	70,632	381,702	10,172
591-593, 599	Debt Service	232,498	49,017	-	-
597	Transfers-Out	2,472,645	29,856	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	200	200	-	-
Total Other Decreases in Fund Resources:		5,262,405	149,705	381,702	10,172
Increase (Decrease) in Cash and Investments:		2,943,322	3,011,435	16,268	(10,710)
Ending Cash and Investments					
50821	Nonspendable	980,717	-	-	-
50831	Restricted	333,713	-	-	-
50841	Committed	21,192,167	4,669,067	502,563	80,161
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		22,506,597	4,669,067	502,563	80,161

The accompanying notes are an integral part of this statement.

City of Orting
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		105 Parks Department	107 Tourism Fund	108 TBD	109 ARPA - Coronavirus
Beginning Cash and Investments					
308	Beginning Cash and Investments	342,115	5,085	280,434	1,203,529
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	536,411	753	20	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	194,000	-	-	1,202,906
340	Charges for Goods and Services	18,269	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15,142	93	4,634	36,354
Total Revenues:		763,822	846	4,654	1,239,260
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	329,144	-	-	-
Total Expenditures:		329,144	-	-	-
Excess (Deficiency) Revenues over Expenditures:		434,678	846	4,654	1,239,260
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	12,837	-	36,616	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	2,442,789
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		12,837	-	36,616	2,442,789
Increase (Decrease) in Cash and Investments:		421,841	846	(31,962)	(1,203,529)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	300,971	-	-	-
50841	Committed	462,988	5,931	248,472	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		763,959	5,931	248,472	-

The accompanying notes are an integral part of this statement.

City of Orting
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		120 Police Department Drug	320 Transportation Impact	401 Water	408 Wastewater
Beginning Cash and Investments					
308	Beginning Cash and Investments	127	349,548	2,475,399	9,168,661
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	49,450	2,284,009	2,705,665
350	Fines and Penalties	-	-	48,750	-
360	Miscellaneous Revenues	-	3,856	37,676	136,821
Total Revenues:		-	53,306	2,370,435	2,842,486
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	126	-	-	-
530	Utilities	-	-	1,356,684	1,411,607
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		126	-	1,356,684	1,411,607
Excess (Deficiency) Revenues over Expenditures:		(126)	53,306	1,013,751	1,430,879
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	111,279	1,765,408
591-593, 599	Debt Service	-	-	183,481	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	294,760	1,765,408
Increase (Decrease) in Cash and Investments:		(126)	53,306	718,991	(334,529)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	1	402,853	3,194,393	8,834,136
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1	402,853	3,194,393	8,834,136

The accompanying notes are an integral part of this statement.

City of Orting
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		410 Stormwater	701 Cemetery Perpetual Fund	704 Skinner Estate Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	2,497,246	525,515	480,813
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	1,186	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	90,280	-	-
340	Charges for Goods and Services	1,035,532	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	31,877	3,731	3,400
Total Revenues:		1,158,875	3,731	3,400
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	696,099	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		696,099	-	-
Excess (Deficiency) Revenues over Expenditures:		462,776	3,731	3,400
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	168,416	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		168,416	-	-
Increase (Decrease) in Cash and Investments:		294,360	3,731	3,400
Ending Cash and Investments				
50821	Nonspendable	-	523,380	457,337
50831	Restricted	-	5,866	26,876
50841	Committed	2,791,602	-	-
50851	Assigned	-	-	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		2,791,602	529,246	484,213

The accompanying notes are an integral part of this statement.

City of Orting
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	6,702	6,702
388 & 588	Net Adjustments	-	-
310-390	Additions	61,294	61,294
510-590	Deductions	48,683	48,683
	Net Increase (Decrease) in Cash and Investments:	12,611	12,611
508	Ending Cash and Investments	19,314	19,314

The accompanying notes are an integral part of this statement.

City of Orting
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Orting was incorporated on April 22, 1889 and operates under the laws of the state of Washington applicable to an optional code city with a Mayor-Council form of government. The City of Orting is a general purpose local government and provides public safety, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a water, sewer and stormwater system.

The City of Orting reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see note to the financial statements)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the City of Orting also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to thirty days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement non-management employees receive payment for unused sick leave depending on their tenure. Upon separation or retirement managers receive 25% of a maximum accumulation of 960 hours of sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, Long-term Debt

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as committed when it is subject to restrictions on use imposed by the budget established by the city's legislative body. Beginning and Ending Cash Investments are reported as restricted or nonspendable when restrictions on use are imposed by external parties. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund	Ending Cash & Investments	Reserved Type
Current Expense	\$4,669,067.21	Committed
City Streets	\$502,563.49	Committed
Cemetery	\$80,161.35	Committed
Parks Department	\$300,970.97	Restricted
Parks Department	\$462,987.58	Committed
Tourism Fund	\$5,931.26	Committed
TBD	\$248,472.03	Committed
Police Department Drug	\$.72	Committed
Transportation Impact	\$402,853.03	Committed
Water	\$3,194,393.19	Committed
Wastewater	\$8,834,135.84	Committed
Stormwater	\$2,791,602.29	Committed
Treasurer's Trust	\$2,009.51	Nonspendable
Evidence/Property	\$5,384.11	Nonspendable
Cemetery Perpetual Fund	\$5,866.15	Restricted
Cemetery Perpetual Fund	\$523,380.40	Nonspendable
Skinner Estate Fund	\$26,876.27	Assigned
Skinner Estate Fund	\$457,337.02	Nonspendable

Note 2 – Budget Compliance

A. Budgets

The City of Orting adopts annual appropriated budgets. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense	6,219,508.00	3,967,455.54	2,252,052.46
City Streets	2,242,824.13	700,178.06	1,542,646.07
Cemetery	101,024.00	101,017.42	6.58
Parks Department	348,183.00	341,977.30	6,205.70
Tourism Fund	5,000.00	0.00	5,000.00
TBD	280,834.00	36,616.25	244,217.75
ARPA - Coronavirus	2,442,790	2,442,789.41	.59
Police Department Drug	126.00	126.00	0.00
Transportation Impact	371,138.00	0	371,138.00
Water	2,011,498.98	1,651,439.78	360,059.20
Wastewater	14,804,210.24	3,177,011.46	11,627,198.78
Stormwater	3,543,232.43	864,517.13	2,678,715.30
Cemetery Perpetual Fund	0.00	0.00	0.00
Skinner Estate Fund	2,000.00	0.00	2,000.00

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments, 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's legislative body.

Note 3 – Deposits and Investments

Investments are reported at original cost. Investments by type at December 31, 2022 are as follows:

<u>Type Deposit or Investment</u>	<u>City's own investments</u>	<u>Investments held by city as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
Bank deposits	\$ 2,204,753.20	\$0.00	\$ 2,204,753.20
L.G.I.P.	\$ 17,764,267.10	\$0.00	\$17,764,267.10
U.S. Government & Agency Securities	\$ 3,486,745.00	\$0.00	\$ 3,486,745.00
Total	\$23,455,765.30	\$0.00	\$23,455,765.30

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

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

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

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 would not be able to recover collateral securities that are in possession of an outside party. The city's 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).

All investments are insured, registered or held by the city or its agent in the government's name.

Note 4 – Leases

During the year ended 2022, the city of Orting adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities. The City leased one copier from Wells Fargo Vendor Financial Services LLC. \$212.00 per month for the Police Department copier. Contract payments began September 2022 on a five-year lease.

The total amount paid for leases in 2022 was \$848.00. As of December 31, 2022, the future lease payments are as follows:

Year Ended Dec 31, 2022	\$848.00
2023	\$2,544.00
2024	\$2,544.00
2025	\$2,544.00
2026	\$2,544.00
2027	\$1,696.00
Total	\$12,720.00

Note 5 – Long Term Debt

Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2022.

The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:

	Interest	Principal	Total
2022	\$23,484.89	\$209,013.26	\$233,498.15
2023	\$18,335.02	\$204,639.96	\$222,974.98
2024	\$14,743.96	\$163,821.81	\$178,565.77
2025	\$12,286.64	\$163,821.81	\$176,108.45
2026	\$9,829.31	\$163,821.81	\$173,651.12
2027-2029	14,743.96	\$491,465.47	\$506,209.43
TOTALS	\$93,423.78	\$1,396,584.12	\$1,490,007.90

Note 6 -Other Disclosures

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims. The City is a party to various legal proceedings which normally occur in the course of governmental operations. The City has received a tort claim form for an employment matter that involves claims for significant damages against the City. Currently, the City is unable to provide an opinion as to the ultimate outcome of the case or the amount of damages that may be found. While the outcome of this proceeding cannot be predicted with certainty, the City feels that any settlement or judgment not covered by insurance would not have a materially adverse effect on the financial condition of the City.

Note 7 -Pension Plans

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), 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, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$76,267	.012444%	\$346,487

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Note 8 - Property Tax

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

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2022 was \$1.212545 per \$1,000 on an assessed valuation of \$1,134,141,423 for a total regular levy of \$1,375,197.81.

Note 9 – Risk Management

City of Orting 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, with a deductible of \$1,000 for vehicles and a \$25,000 deductible for property. 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.

Note 10 – Health & Welfare

The City of Orting 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 and have enrollment in the AWC Trust HCP.

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 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.

City of Orting
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	2018 Police Vehicle	11/7/2023	86,010	-	45,192	40,818
263.51	Police Department Copier Lease	8/31/2027	-	9,337	501	8,836
Total General Obligation Debt/Liabilities:			86,010	9,337	45,693	49,654
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		301,394	106,846	-	408,240
264.30	Pension Liabilities		140,527	205,960	-	346,487
263.82	North End Reservoir	10/1/2029	1,310,574	-	163,821	1,146,753
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,752,495	312,806	163,821	1,901,480
Total Liabilities:			1,838,505	322,143	209,514	1,951,134

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov