



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Bremerton

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

Published July 1, 2024

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

July 1, 2024

Mayor and City Council
City of Bremerton
Bremerton, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Bremerton 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 identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs 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
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2022-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

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

Background

The City Council, the Mayor, state and federal agencies and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the City's financial reporting is reliable and its financial statements are accurate and complete.

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP). Our audit found deficiencies in internal controls over financial reporting that affected the City's ability to produce reliable financial statements. Government Auditing Standards requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding.

Description of Condition

Accounting standards provide guidance for recording transactions and financial reporting. Internal control processes should be established to ensure financial reporting is accurate and consistently followed.

Specifically, standards outline the criteria for reporting a major fund on the financial statements. Major funds are reported individually and nonmajor funds are reported in the aggregate. These accounting standards provide quantitative thresholds for identifying major funds. Historically, the City prepared a worksheet to identify major funds. However, the City did not use this worksheet when preparing the 2022 financial statements and therefore did not report the transportation capital fund as a major fund even though it met the quantitative threshold.

In 2018 the City began collecting impact fees, however our audit noted that the City misclassified the fees collected between 2018 to 2022 in its financial statements.

We identified the following deficiencies in internal controls over the City's process for preparing its financial statements that, when considered together, represent a material weakness:

- The City does not have adequate internal controls to ensure complex transactions are accurately reported in accordance with audit standards.
- The City's secondary review of the financial statements was inadequate to prevent or detect errors before submitting the annual financial statements for audit.

Cause of Condition

While City staff are knowledgeable of reporting requirements, the City experienced turnover in the finance department, resulting in heavy workloads throughout the year and limiting the amount of time staff had to prepare and review the financial statements. Because of this, the review process did not detect errors in the financial statements.

Effect of Condition

The material weakness in internal controls resulted in the following errors:

- The City did not report the transportation capital fund as a major fund even though it met the quantitative thresholds outlined in standards. Consequently, we had to include additional audit procedures to cover the additional major fund that was required to be reported to comply with audit standards.
- The City misclassified impact fees as performance bonds and deposits payable, resulting in liabilities in the transportation capital fund and Governmental Activities being overstated \$1,710,944, revenue being understated \$416,449 and beginning fund balance being understated \$1,294,494.
- The City did not include leases payable in its Net Investment In Capital Assets (NICA) calculation for Governmental Activities, resulting in NICA being overstated \$1,260,556 and Unrestricted Net Position being understated by the same amount.
- Two capital projects completed during 2022 were not capitalized, resulting in Business Type Activities and Wastewater Fund Capital Assets Not Being

Depreciated being overstated \$2,427,319 and Capital Assets Net of Depreciation being understated by the same amount.

- The City incorrectly included grant fund revenues in Charges for Services, resulting in Governmental Activities Charges for Services being overstated \$1,168,534 and Operating Grants and Contributions being understated by the same amount.
- Interfund transactions were not eliminated when reporting Due from Other Funds and Due to Other Funds. As a result, Due from Other Funds and Due to Other Funds were each overstated by a total of \$2,349,891 across multiple funds.

In addition to the errors detailed above, the financial statements also contained numerous, less significant misstatements and presentation errors.

The City subsequently corrected these errors in the financial statements.

Recommendation

We recommend the City strengthen internal controls over its processes for preparing and reviewing the financial statements to ensure the statements submitted for audit are accurate, complete and comply with GAAP. We also recommend the City dedicate sufficient resources and provide adequate training for staff to gain the resources and technical knowledge necessary to understand and identify the correct reporting of the City's financial activities.

City's Response

The City of Bremerton appreciates the opportunity to respond to the Washington State Auditor's Office's (SAO) conclusions. The City is committed to establishing and following effective internal controls to ensure accurate and complete financial reporting. The City at the time the impact fees were implemented applied incorrect accounting treatment. The City has already made corrections based on all of the audit recommendations. We will continue review and improve internal controls in regard to the preparation and review of the annual financial statements. The City appreciates the partnership with the State Auditor's Office.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next 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.

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.

Budgeting, Accounting and Reporting System (BARS Manual), 3.6.7, Impact Fees.

Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – And Management’s Discussion and Analysis for State and Local Governments*.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2022-002 The City did not have adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements.

Assistance Listing Number and Title:	21.027 – COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	SLT-3787
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure.

During 2022, the City spent \$1,326,819 in program funds to cover expenditures related to supporting public health and safety services and paying employees who perform essential government services. The program funds included \$158,284 passed through to three subrecipients in 2022 to fulfill components of the program’s objectives.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

When the City passes on federal funds to subrecipients, federal regulations require the City to ensure every subaward agreement clearly identifies that it is a federal award and includes the applicable federal requirements. The City is required to report 14 federal award identification elements in each subaward agreement. Whenever passing federal funding to subrecipients, federal regulations require the City to monitor them and ensure they comply with the terms and conditions of the federal award.

Description of Condition

Our audit found the City's internal controls were ineffective for ensuring it included all 14 required elements in any of its subaward agreements.

The missing elements included:

- Subrecipient's Unique Entity Identifier
- Federal Award Identification Number (FAIN)
- Federal award date
- Amount of federal funds obligated
- Total amount of federal funds obligated
- Total amount of the federal award committed
- Federal award project description
- Name of the federal awarding agency
- Assistance Listing Number and program title

We consider this deficiency in internal controls to be a significant deficiency.

Cause of Condition

The City experienced turnover in one position involved in this process, and other key staff involved did not have adequate training or understanding of these requirements.

Two of the three subrecipients were already subrecipients of the City for other federal programs. The City did not enter into new agreements with these subrecipients when it passed SLFRF funds to them. Instead, the City relied on the agreements that were already in place, but they did not include any information about SLFRF funding. The City entered into a professional services agreement with the third subrecipient instead of a subaward agreement, so it did not include any federal award information.

Effect of Condition

When subaward agreements do not include the required information, subrecipients are at an increased risk of not knowing they received federal funding and need to comply with specific program requirements, which could lead to spending the funds for unallowable purposes.

The City did not provide evidence that it subsequently shared the missing federal award information with the three subrecipients.

Recommendation

We recommend the City ensure it includes all required elements in federally funded subaward agreements.

City's Response

The City of Bremerton appreciates the opportunity to respond to the Washington State Auditor's Office's (SAO) conclusions. The City is committed to establishing and following effective internal controls for administering federal grants and for compliance with federal uniform guidance for grant administration. The City will ensure every subaward agreement clearly identifies that it is a federal award and includes the applicable federal requirements for programs funded with Coronavirus State and Local Fiscal Recovery Funds and other federal funding.

Auditor's Remarks

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

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for passthrough entities, establishes subrecipient monitoring and management requirements for pass through entities.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

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

Audit Period: January 1, 2021 – December 31, 2021	Report Ref. No.: 1031224	Finding Ref. No.: 2021-001	Assistance Listing Number(s): 21.027
Federal Program Name and Granting Agency: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds, U.S. Department of the Treasury		Pass-Through Agency Name: N/A	
Finding Caption: The City had inadequate internal controls for ensuring compliance with federal procurement and suspension and debarment requirements.			
Background: The City did not have effective internal controls for ensuring it complied with federal and state procurement requirements for piggybacking. Specifically, City personnel negotiated directly with manufactures to purchase an additional human resources module directly, using pricing established through the Washington State Department of Enterprise Services (DES) purchasing cooperative agreement, rather than purchasing with one of the three authorized contractors awarded the contract. The City also did not have effective internal controls for verifying the suspension and debarment status of contractors for purchases exceeding \$25,000. The City made three purchases from contractors before verifying they were not suspended or debarred.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The contracts now include provisions for suspension and debarment. The contracts administrator is actively reviewing contracts for compliance with federal and state procurement and educating departments on compliance with such requirements.</i>			

Finding ref number: 2022-002	Finding caption: The City did not have adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of City contact person: Mike Riley, Director of Financial Services 345 6th Street, Suite 100 Bremerton, WA 98337 (360) 473-5303	
Corrective action the auditee plans to take in response to the finding: <i>The City will ensure every subaward agreement clearly identifies that it is a federal award and includes the applicable federal requirements for programs funded with Coronavirus State and Local Fiscal Recovery Funds and other federal funding.</i>	
Anticipated date to complete the corrective action: Immediately	

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 Bremerton January 1, 2022 through December 31, 2022

Mayor and City Council
City of Bremerton
Bremerton, 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 Bremerton, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Bremerton
Bremerton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Bremerton, 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. However, we identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-002, that we consider to be a significant deficiency.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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

June 25, 2024

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

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**City of Bremerton
Management's Discussion and Analysis
December 31, 2022**

The City of Bremerton (City) presents this Management Discussion and Analysis (MD&A) in order to provide a narrative overview of the City's financial activities, focus on significant financial issues, and highlight significant changes in the City's financial position for the fiscal year ended December 31, 2022. This information should be read in conjunction with the financial statements and notes to the financial statements that follow.

Financial Highlights

- At the end of fiscal year 2022, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$349 million. The net investment in capital assets accounts for 79%, or \$273.9 million, of this amount. Restricted net position accounts for another 10%, or \$33.8 million, and is primarily for pension, construction projects, debt service, public safety, and Community Development Block Grant (CDBG) programs, tourism promotion, worker's compensation liability and public safety. The remaining net position of \$41.3 million may be used to meet the City's ongoing obligations to citizens and creditors. As a result of GASB 75 (Other Post Employment Benefit reporting), the unrestricted fund balance on the governmental activities is negative.
- The City's net position increased by \$29 million (9%) during the fiscal year. The governmental net position increased by \$19.9 million (19%), and business-type net position increased by \$9.1 million (4%) from the amounts reported in 2021.
- As of December 31, 2022, the City's governmental funds reported a combined fund balance of \$36.4 million, an increase of 9% from the prior year end. The fund balance of the General fund increased by \$483 thousand, the Transportation Capital Fund increased \$920 thousand, and the remaining non-major governmental funds had a fund balance increase of \$1.551 million. The combined governmental fund balances restricted for specific purposes by external parties, enabling legislation or otherwise not available for expenditure is \$10.3 million. Of the remaining \$26.1 million fund balance, \$9.4 million has been committed or assigned for specific purposes, \$38 thousand is for non-spendable inventories and \$16.7 million is unassigned and available to the City for future appropriation.
- At the end of 2022, the unassigned fund balance of the General fund was \$16.7 million or approximately 36% of total General fund expenditures of \$46.2 million. The General fund's unassigned fund balance increased by \$289 thousand from the prior year's amount of \$16.4 million.
- The City's total outstanding debt decreased by \$4.5 million or (10%) during the current fiscal year to \$40.7 million. General obligation debt decreased by \$2.4 million, revenue bond debt decreased by \$655 thousand and revenue loan debt decreased by \$1.4 million.
- The City's net investment in capital assets increased \$4.8 million overall in 2022. Governmental activities increased \$3.33 million and business activities increased \$1.47 million. Total capital assets from governmental activities increased \$2.559 million. Total capital assets from business type activities increased \$7.823 million.

Overview of the Financial Statements

The City's basic financial statements are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the city include general government (finance, executive, legislative and human resources), community development, public safety (police and fire), utilities and environment, transportation, economic environment, and culture and recreation. The City's business-type activities are limited to the City's municipal golf course and water, wastewater and stormwater utility activities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The *statement of net position* presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, highlighting the difference between the two as net position. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The *statement of activities* presents information designed to show how the City's net position changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's, finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the General fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. The City, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City maintained twenty (20) individual governmental funds in 2022. The City's General fund and Transportation Capital fund are presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds".

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level. The General fund budget is further adopted at the department and category group level by fund in accordance with City code and state law. A budgetary comparison statement for major governmental funds is presented with the basic financial statements.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

The City's four (4) enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's municipal golf course, water, wastewater and stormwater utilities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for maintenance and acquisition of its fleet of vehicles, insurance programs and claims, unemployment insurance obligations, termination benefits as well as information technology services. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City's activities.

The City has one type of fiduciary fund – custodial funds. Custodial funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

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

Other Information In addition to the basic financial statements and accompany notes, this report also presents the required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements of the report.

Government-wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the City's financial position. The City's net position on December 31, 2022, totaled \$349 million. The following is a condensed version of the government-wide statement of net position for the current and the prior fiscal year.

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2022	2021	Difference	2022	2021	Difference	2022	2021	Difference
Current Assets	\$ 47,856	\$ 43,420	\$ 4,436	\$ 50,985	\$ 44,304	\$ 6,681	\$ 98,841	\$ 87,724	\$ 11,117
Restricted Assets	11,557	8,811	2,746	1,606	1,077	529	13,163	9,888	3,275
Capital Assets	118,906	116,347	2,559	206,752	198,929	7,823	325,658	315,276	10,382
Other Noncurrent Assets	18,409	36,079	(17,670)	5,324	5,017	307	23,733	41,096	(17,363)
Total assets	196,728	204,657	(7,929)	264,667	249,327	15,340	461,395	453,984	7,411
Deferred outflows of resources	10,267	4,054	6,213	1,929	724	1,205	12,196	4,778	7,418
Current Liabilities	18,761	15,845	2,916	6,234	5,787	447	24,995	21,632	3,363
Noncurrent Liabilities	55,317	66,366	(11,049)	29,775	22,927	6,848	85,092	89,293	(4,201)
Total liabilities	74,078	82,211	(8,133)	36,009	28,714	7,295	110,087	110,925	(838)
Deferred inflows of resources	8,830	22,337	(13,507)	5,651	5,491	160	14,481	27,828	(13,347)
Net position									
Net Investment in Capital Assets	97,537	94,199	3,338	176,372	174,907	1,465	273,909	269,106	4,803
Restricted	30,401	25,979	4,422	3,449	2,642	807	33,850	28,621	5,229
Unrestricted	(3,850)	(16,015)	12,165	45,115	38,297	6,818	41,265	22,282	18,983
Total Net Position	\$ 124,088	\$ 104,163	\$ 19,925	\$ 224,936	\$ 215,846	\$ 9,090	\$ 349,024	\$ 320,009	\$ 29,015

The largest component of the City's net position is the \$273.9 million investment in capital assets reduced for any related outstanding debt issued to acquire those assets. These capital assets, such as utility plant, streets, trails, parks, fire and police vehicles, are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

Restricted net position consists of amounts legally or otherwise externally restricted for debt service and other programs. Of the \$30.401 million of governmental activities restrictions, \$18.884 million or 62% is restricted for pension, \$7.991 million or 26% is restricted for the construction of capital assets and \$234 thousand or 1% is restricted for debt service. The remaining 7% is comprised of public safety, community development block grant, Public Access Television, tourism promotion workers compensation and newly settled opioid settlement. Of the \$3.449 million of business-type activities \$1.843 million or 53% is restricted for pension, \$936 thousand or 27% is restricted for debt service and \$670 thousand or 19% is restricted for the construction of capital assets.

A total of \$45.115 million represents the unrestricted net position of the City's business-type activities and may only be spent on golf course operations, water, wastewater and other utility activities. Maintenance of utility delivery systems such as water lines, pump station, wells, storm drain flushing, water meter reading, and capital construction projects, such as well rehabilitation, are examples of utility activities.

At the end of the fiscal year, the city reported positive balances in all three categories of net position for the government as a whole. Governmental activities reported a negative unrestricted fund balance of \$(3.850) million due to GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Changes in Net Position

The Changes in Net Position table illustrates the increase or decrease in net position of the city resulting from its operating activities. The City's overall financial position increased by \$29.015 million. Governmental activities increased \$19.925 million, and the net position of business-type activities increased by \$9.09 million. The following is a condensed version of the government-wide statement of changes in net position for the current and the prior fiscal year.

Condensed Changes in Net Position
For the Years Ended December 31, 2022 and 2021

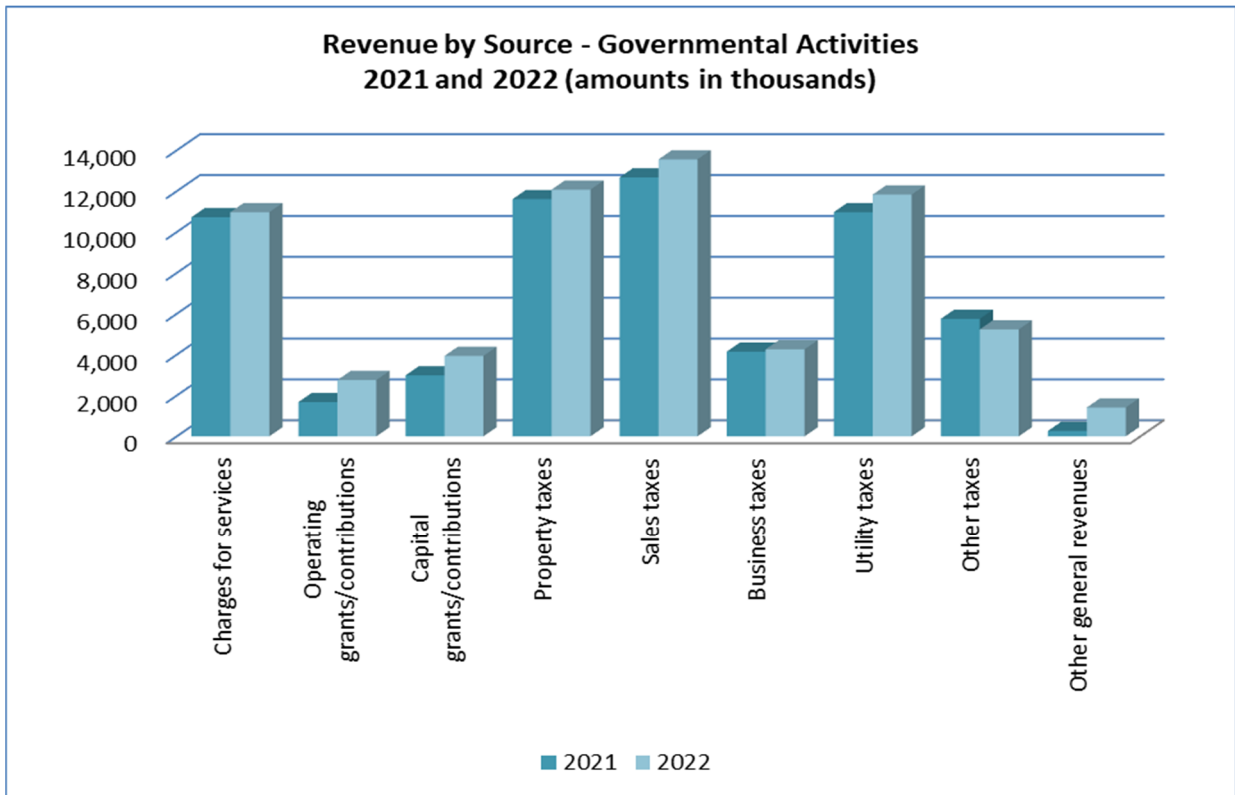
Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2022	2021	Difference	2022	2021	Difference	2022	2021	Difference
Revenues									
Program revenues									
Charges for services	\$ 10,972	\$ 10,723	\$ 249	\$ 46,037	\$ 42,378	\$ 3,659	\$ 57,009	\$ 53,101	\$ 3,908
Operating grants/contributions	2,755	1,680	1,075	-	-	-	2,755	1,680	1,075
Capital grants/contributions	3,937	2,986	951	4,606	6,250	(1,644)	8,543	9,236	(693)
General revenues									
Property taxes	12,075	11,610	465	-	-	-	12,075	11,610	465
Sales taxes	13,557	12,676	881	-	88	(88)	13,557	12,764	793
Business taxes	4,260	4,147	113	-	12	(12)	4,260	4,159	101
Utility taxes	11,833	10,972	861	-	-	-	11,833	10,972	861
Other taxes	5,233	5,751	(518)	-	-	-	5,233	5,751	(518)
Other general revenues	1,414	266	1,148	509	(22)	531	1,923	244	1,679
Total revenues	\$ 66,036	\$ 60,811	\$ 5,225	\$ 51,152	\$ 48,706	\$ 2,446	\$ 117,188	\$ 109,517	\$ 7,671
Expenses									
General government	5,562	4,706	856	-	-	-	5,562	4,706	856
Public safety	22,795	30,232	(7,437)	-	-	-	22,795	30,232	(7,437)
Transportation	8,708	8,041	667	-	-	-	8,708	8,041	667
Economic environment	2,317	2,670	(353)	-	-	-	2,317	2,670	(353)
Culture and recreation	7,214	5,473	1,741	-	-	-	7,214	5,473	1,741
Interest on long-term debt	704	791	(87)	-	-	-	704	791	(87)
Water	-	-	-	14,826	12,721	2,105	14,826	12,721	2,105
Wastewater	-	-	-	16,841	15,673	1,168	16,841	15,673	1,168
Golf course	-	-	-	5,674	5,275	399	5,674	5,275	399
Stormwater	-	-	-	4,826	4,098	728	4,826	4,098	728
Total expenses	\$ 47,300	\$ 51,913	\$ (4,613)	\$ 42,167	\$ 37,767	\$ 4,400	\$ 89,467	\$ 89,680	\$ (213)
Change in net position before transfers	18,736	8,898	9,838	8,985	10,939	(1,954)	27,721	19,837	7,884
Transfers	(105)	(75)	(30)	105	75	30	-	-	-
Change in net position	18,631	8,823	9,808	9,090	11,014	(1,924)	27,721	19,837	7,884
Net position - beginning	104,163	95,340	8,823	215,846	204,420	11,426	320,009	299,760	20,249
Prior Period	1,294	-	1,294	-	412	(412)	1,294	412	882
Net position - ending	\$ 124,088	\$ 104,163	\$ 19,925	\$ 224,936	\$ 215,846	\$ 9,090	\$ 349,024	\$ 320,009	\$ 29,015

Governmental activities

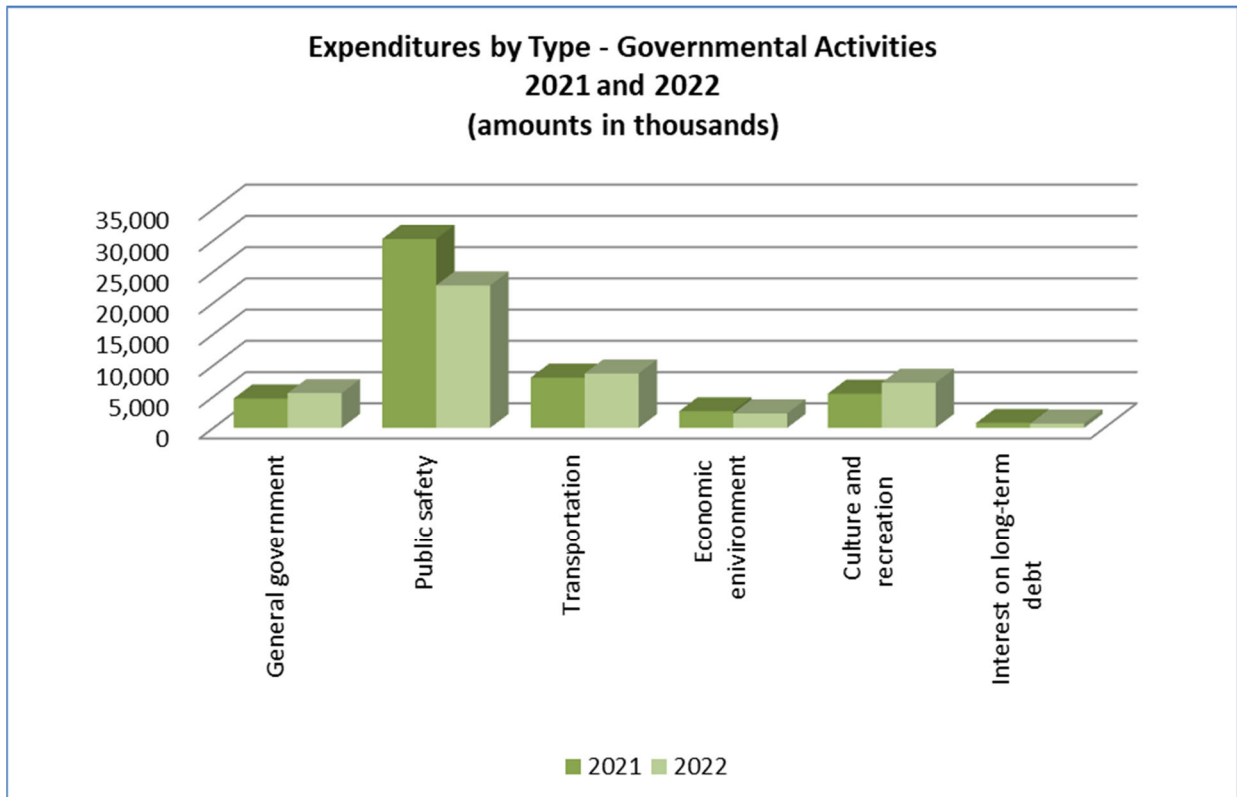
Significant elements of the increase are as follows:

- The City sales tax revenue increased \$881 thousand. Operating grants increased by \$1.075 million and capital grants and contributions increased \$951 thousand for governmental activities.
- The City had an increase of \$1.148 million in other general revenues, of which \$1.132 million is solely due to the opioid settlement proceeds.
- The City's overall expenditures decreased \$213 thousand in 2022 compared to 2021, as the city continues efforts to match expenses to available resources. Public Safety had the largest decrease, recognizing a \$7.4 million decrease from the prior year.

The following graph is the governmental activities revenues by source for the current and the prior fiscal year.



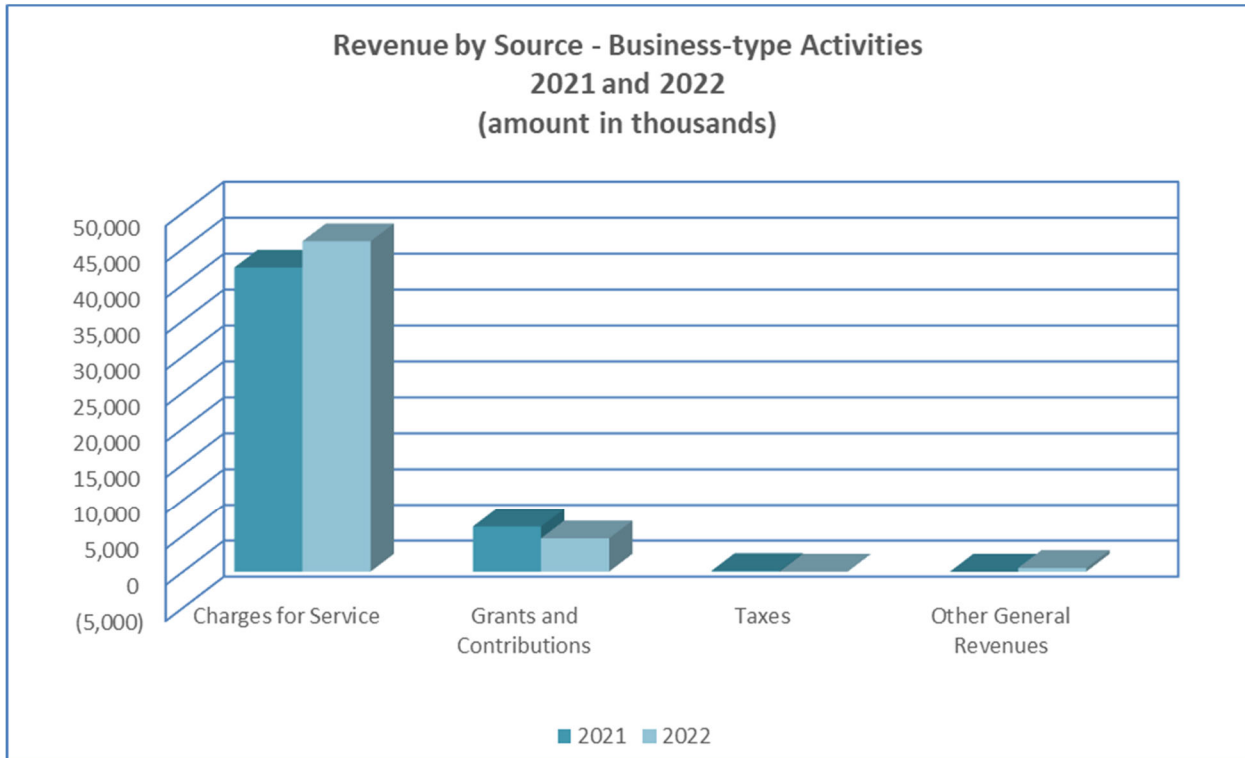
The following graph is the governmental activities expenditures by type for the current and the prior fiscal year.



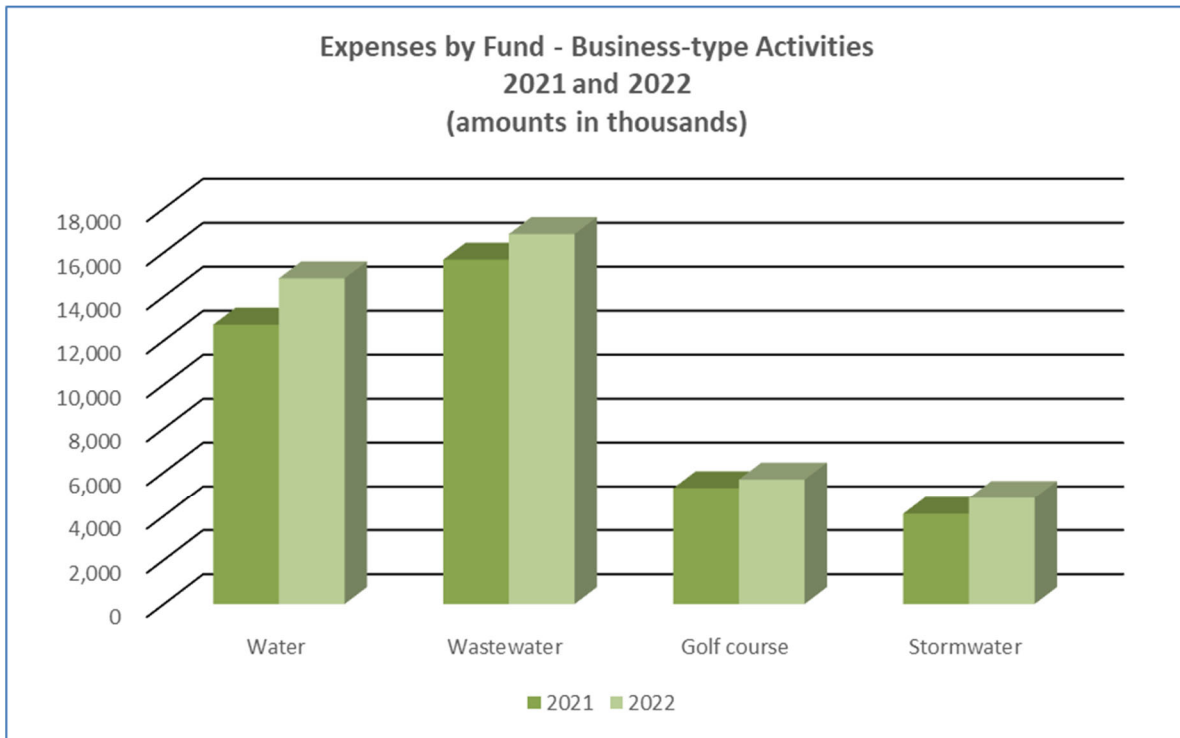
Business-type activities

- The significant change in fund balance can be mainly attributed to capital asset additions, increased revenue from Golf operations, continued increase in utility connects and GFC revenue and maintained expenses year over year.
- The charges for services for business activities increased \$3.6 million, of which \$544 thousand is from the stormwater fund, \$1.1 million from water, \$1.5 million from wastewater and \$501 thousand from Golf.

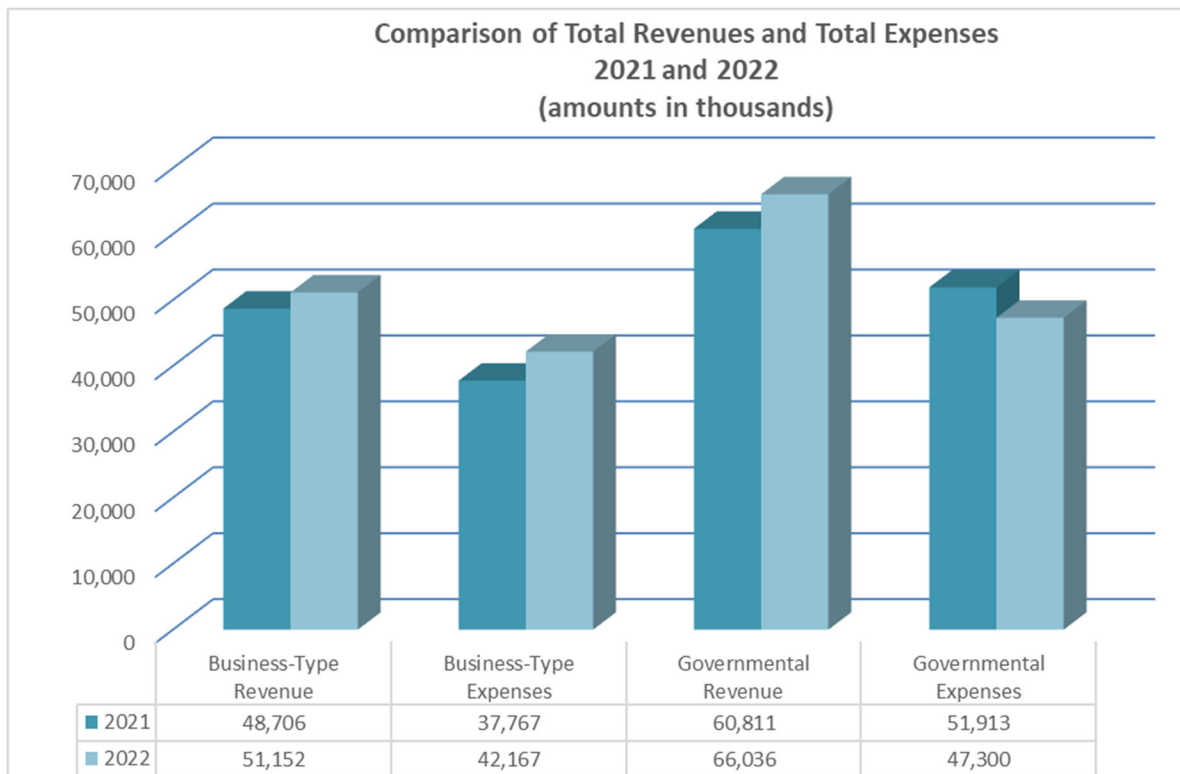
The following graph is the business-type activities revenues by source for the current and the prior fiscal year.



The following graph is the business-type activities expenses by fund for the current and the prior fiscal year.



The following graph is the total revenue and total expense for the current and the prior fiscal year for both governmental activities and business-type activities.



Financial Analysis of the City's Funds

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

Governmental funds

The General fund is the primary operating fund of the City through which all receipts and payments of City operations are processed unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2022, the fund balance of the General fund was \$18.7 million. As a measure of the fund's liquidity, the 2022 ending fund balance is 40.4% of the fund's 2022 expenditures, a decrease of 2.6% over 2021's 43%.

The General fund ending fund balance increased in 2022 by \$483 thousand. Revenues increased from \$44.8 million in 2021 to \$47.9 million in 2022. Expenditures increased from \$42.4 million in 2021 to \$46.2 million in 2022. Public Safety had the largest increase in expense of about \$2.3 million.

Proprietary funds

The City of Bremerton's proprietary funds provide the same type of information found in the government-wide business-type activities, but in more detail. There were no significant transactions pertaining to the proprietary funds.

General fund Budget Variations

The General fund collected revenues at 92% of the amended amount budgeted or \$3.9 million less than budgeted. Expenditures for 2022 were 76% of the amended budget resulting in actual expenditures being \$14.5 million less than the budgeted amount. The positive expenditure budget variance is largely attributable to savings in budgeted personnel and supplies and services.

The General fund budget was balanced in 2022. The original budget provided for a decrease to the fund balance of \$6.2 million. The budget was amended two times during 2022. The final amended budget provided for a decrease to fund balance of \$10.1 million. At the conclusion of 2022, the General fund increased fund balance by \$443 thousand.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$325.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, right-to-use leased equipment and buildings, construction in progress, utility transmission/distribution systems, roads, and intangibles.

The major capital asset additions for governmental activities during 2022 include parks projects, facilities project and various street improvements totaling \$6.395 million. Specifically, the city worked on the following during the year:

- Kitsap Lake Park Renovation - \$22,900
- Pendergast Field Improvements - \$32,390
- Haddon Park Renovation - \$116,980
- E 11th Street Restoration - \$854,275
- 6th Street Preservation, Warren to Pacific - \$387,350
- HSIP Phase III - \$2,566,050
- Washington and 11th Roundabout - \$232,225
- Downtown Bike Improvements - \$355,575
- Naval Ave 1st to 15th - \$147,250

- Warren Ave Bridge Pedestrian Improvement - \$204,575
- 6th Street Preservation, Phase 3 - \$227,750
- Kitsap Way Planning Study - \$188,200
- Belfair Valley Road Repairs - \$147,700

The major capital assets changes for business-type activities included the construction of wastewater and water capital improvement projects identified within the City's 2022 capital improvement plan.

Capital Assets (net of depreciation)
As of December 31, 2022 and 2021

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2022	2021	Difference	2022	2021	Difference	2022	2021	Difference
Land	\$ 20,374	\$ 20,374	\$ -	\$ 9,882	\$ 9,882	\$ -	\$ 30,256	\$ 30,256	\$ -
Buildings	41,916	42,654	(738)	29,928	30,936	(1,008)	71,844	73,590	(1,746)
Improvements other than Buildings	6,282	6,954	(672)	114,539	111,383	3,156	120,821	118,337	2,484
Machinery and Equipment	3,580	4,088	(508)	29,967	32,558	(2,591)	33,547	36,646	(3,099)
Infrastructure	33,714	32,803	911	-	-	-	33,714	32,803	911
Right-to-use Leased	1,270	-	1,270	33	-	33	1,303	-	1,303
Construction in Progress	11,765	9,469	2,296	22,196	13,954	8,242	33,961	23,423	10,538
Intangibles	5	5	-	207	216	(9)	212	221	(9)
Total	\$ 118,906	\$ 116,347	\$ 2,559	\$ 206,752	\$ 198,929	\$ 7,823	\$ 325,658	\$ 315,276	\$ 10,382

Long-term Debt

At the end of 2022, the city had general obligation bonds, revenue bonds and revenue loans.

Long-term Debt
As of December 31, 2022 and 2021

Amounts in 000's	Governmental Activities			Business-Type Activities			Total		
	2022	2021	Difference	2022	2021	Difference	2022	2021	Difference
General Obligation Bonds	\$ 20,160	\$ 22,225	\$ (2,065)	\$ 2,295	\$ 2,635	\$ (340)	\$ 22,455	\$ 24,860	\$ (2,405)
Revenue Bonds	-	-	-	10,620	11,275	(655)	10,620	11,275	(655)
Intergovernmental Loans	-	-	-	16,418	9,019	7,399	16,418	9,019	7,399
TOTAL	\$ 20,160	\$ 22,225	\$ (2,065)	\$ 29,333	\$ 22,929	\$ 6,404	\$ 49,493	\$ 45,154	\$ 4,339

The \$2.405 million decrease in government-wide general obligation bonds debt and \$655 thousand decrease in revenue bonds were due to annual debt payments. The \$7.399 million increase in revenue loans was the net of \$8.790 million increase for loan proceeds drawn on four active projects and \$1.391 million decrease due to annual debt payments. Additional information on the City's long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year's Budgets and Rates

Several factors that affect the economic climate in Bremerton were considered when preparing the City's 2022 annual budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Bremerton. The character of the city, including its current and future business activity and its attraction as a place to live, was evaluated. The national, regional and local economic conditions continued to show growth during 2021 and 2022 despite the impacts from the COVID-19 pandemic. The City of Bremerton has been impacted with lack of Affordable Housing in continued to invest in its partnerships with Kitsap Community Resources, Community Frameworks and others to provide funding opportunities to address this growing housing issue. In addition, the City of Bremerton is seeing an increase in its houseless residents as well. Initiatives are being developed to assist in crisis.

Over the past several years, Bremerton has been successful in attracting state and federal grant funds for major transportation improvement projects in 2022 the City was awarded multiple state and federal grants. Future outside

funding opportunities will be highly competitive and Bremerton, due to its current economic demographics, should compete very well for certain projects.

The city continued to see significant growth in public and private investment in the in 2022. Continued investment in this multi-year effort includes the construction or renovation of facilities to provide city services, the re-construction of 2 parks (Manette Park and Warren Ave Playfield) and the renovation of several transportation and utility projects are all designed to improve the lives of city residents. Private investment continued in 2022 with the addition of two additional multifamily projects, the 1010 and B-Flats. Significant construction of residential, both single family and multi-family projects including Mills Crossing. The city secured funding to construct the redesign and development of Quincy Square (previously 4th Street), currently the project is in design and permitting phase.

The city adopted a rate analysis in 2013 that forecasts increases over a six-year outlook for its Water, Wastewater and Stormwater systems. This analysis was refreshed in 2022 with partnership with FCS Group. Rates have been increased gradually from 2014 to 2022 to keep up with the funding requirements of the utilities. The analysis anticipated the issuance of up to a maximum of \$35 million in revenue bonds over six years. In 2016 the City issued \$7.855 million in Revenue bonds to finance identified capital improvements. Currently additional bonding is not being considered in 2022 for the Utilities. A favorable increase in utility connections, project expansion and loan offerings have offset the need to go out to bond the past four years. Current models indicate a need to bone in 2025.

Requests for information

This financial report is designed to provide a general overview of the City's finances for readers with an interest in municipal finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Director of Financial Services, City of Bremerton, 345 Sixth Street, Suite 100, Bremerton, WA 98337-1873.

City of Bremerton
Statement of Net Position
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash & cash equivalents	\$ 20,560,869	\$ 23,907,924	\$ 44,468,793
Investments	18,464,990	19,912,357	38,377,347
Receivables	7,043,660	4,954,095	11,997,755
Due from other governments	1,494,329	41,886	1,536,215
Internal balances	(173,987)	173,987	-
Inventories	213,257	1,930,908	2,144,165
Other assets	252,886	64,120	317,006
Restricted assets:			
Cash & cash equivalents	6,281,090	826,074	7,107,164
Investments	3,982,562	779,802	4,762,364
Receivables	1,294,108	-	1,294,108
Notes and contracts receivable:			
Due in more than one year	-	61,700	61,700
Lease receivable	603,276	3,519,467	4,122,743
Capital assets not being depreciated	32,143,778	32,196,060	64,339,838
Capital assets net of depreciation	86,761,824	174,555,597	261,317,421
Net pension asset	17,805,505	1,742,597	19,548,102
Total assets	<u>\$ 196,728,147</u>	<u>\$ 264,666,574</u>	<u>\$ 461,394,721</u>
Deferred outflows of resources			
Deferred amount on refunding	\$ 597,019	\$ -	\$ 597,019
Deferred amount related to OPEB	533,776	-	533,776
Deferred amount related to pension	9,136,541	1,929,104	11,065,645
Total deferred outflow of resources	<u>\$ 10,267,336</u>	<u>\$ 1,929,104</u>	<u>\$ 12,196,440</u>
Liabilities			
Accounts payable and other current liabilities	\$ 2,999,668	\$ 1,946,510	\$ 4,946,178
Employee wages payable	1,356,574	584,261	1,940,835
Other accrued liabilities	1,503,600	402,282	1,905,882
Performance bonds & deposits payable	90,041	499,856	589,897
Unearned revenue, ARPA	8,898,088	-	8,898,088
Unearned revenue	-	103,674	103,674
Current portion of long term debt	2,287,987	2,696,952	4,984,939
Current portion of OPEB liability	1,624,973	-	1,624,973
Noncurrent liabilities			
Leases payable	1,154,517	25,243	1,179,760
Net pension liability	1,333,458	1,731,963	3,065,421
Total OPEB liability	30,874,484	-	30,874,484
Due in more than one year	21,954,392	28,017,719	49,972,111
Total liabilities	<u>\$ 74,077,782</u>	<u>\$ 36,008,460</u>	<u>\$ 110,086,242</u>
Deferred inflows of resources			
Deferred amount grants received in advance	\$ 9,610	\$ -	\$ 9,610
Deferred amount related to lease	666,139	3,749,231	4,415,370
Deferred amount related to pension	8,153,848	1,901,894	10,055,742
Total deferred inflows of resources	<u>\$ 8,829,597</u>	<u>\$ 5,651,125</u>	<u>\$ 14,480,722</u>
Net Position			
Net investment in capital assets	\$ 97,535,590	\$ 176,372,367	\$ 273,907,957
Restricted for:			
Tourism promotion & facilities	784,395	-	784,395
Community development block grant	152,635	-	152,635
Public safety	742,904	-	742,904
Public Access Television	316,686	-	316,686
Court improvement	103,706	-	103,706
Debt service	234,346	935,937	1,170,283
Capital projects	7,991,538	669,939	8,661,477
Workers compensation	100,000	-	100,000
Pension	18,844,403	1,842,809	20,687,212
Opioid settlement	1,131,839	-	1,131,839
Unrestricted	(3,849,938)	45,115,041	41,265,103
Total Net Position	<u>\$ 124,088,104</u>	<u>\$ 224,936,093</u>	<u>\$ 349,024,197</u>

See accompanying notes to the financial statements.

**City of Bremerton
Statement of Activities
For the Year Ended December 31, 2022**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,561,427	\$ 544,858	\$ -	\$ -	\$ (5,016,569)	\$ -	\$ (5,016,569)
Public safety	22,795,298	3,273,522	2,292,032	-	(17,229,744)	-	(17,229,744)
Transportation	8,708,011	3,475,056	-	3,861,468	(1,371,487)	-	(1,371,487)
Economic environment	2,316,950	1,647,708	463,467	-	(205,775)	-	(205,775)
Culture and recreation	7,214,203	2,030,404	-	75,994	(5,107,805)	-	(5,107,805)
Interest on long-term debt	704,295	-	-	-	(704,295)	-	(704,295)
Total governmental activities	47,300,184	10,971,548	2,755,499	3,937,462	(29,635,675)	-	(29,635,675)
Business-type activities							
Water	14,825,864	16,279,448	-	1,940,440	-	3,394,024	3,394,024
Wastewater	16,840,784	17,942,482	-	1,328,946	-	2,430,644	2,430,644
Stormwater	4,825,694	5,271,898	-	1,336,914	-	1,783,118	1,783,118
Golf course	5,674,064	6,542,766	-	-	-	868,702	868,702
Total business-type activities	42,166,406	46,036,594	-	4,606,300	-	8,476,488	8,476,488
Total government	\$ 89,466,590	\$ 57,008,142	\$ 2,755,499	\$ 8,543,762	\$ (29,635,675)	\$ 8,476,488	\$ (21,159,187)
General Revenues							
Taxes:							
Property					12,074,506	-	12,074,506
Sales					13,556,596	-	13,556,596
Business					4,260,245	-	4,260,245
Utility					11,832,710	-	11,832,710
Other					5,233,328	-	5,233,328
Unrestricted investment interest					(133,085)	(90,118)	(223,203)
Opioid settlement proceeds					1,131,839	-	1,131,839
Miscellaneous (leases, surplus, rebates, unclaimed assets, etc.)					312,023	599,136	911,159
Gain on disposal of capital assets					103,265	-	103,265
Transfers, internal activities					(105,000)	105,000	-
Total general revenues and transfers					48,266,427	614,018	48,880,445
Change in net position					18,630,752	9,090,506	27,721,258
Net position, beginning of year					104,162,858	215,845,587	320,008,445
Prior period adjustment (Note 1B)					1,294,494	-	1,294,494
Net position, end of year					\$ 124,088,104	\$ 224,936,093	\$ 349,024,197

See accompanying notes to the financial statements.

**City of Bremerton
Balance Sheet
Governmental Funds
December 31, 2022**

	General	Transportation Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and equivalents	\$ 15,221,940	\$ 2,111,152	\$ 1,186,633	\$ 18,519,725
Investments	12,897,012	1,772,290	1,983,765	16,653,067
Restricted cash	163,571	-	6,017,519	6,181,090
Restricted investments	-	-	3,982,562	3,982,562
Receivables, net	6,939,122	44,253	1,477,564	8,460,939
Restricted receivables	-	-	162,269	162,269
Due from other governments	58,153	1,219,862	216,314	1,494,329
Due from other funds	743,289	614,201	325,843	1,683,333
Inventories	38,095	-	-	38,095
Total assets	<u>36,061,182</u>	<u>5,761,758</u>	<u>15,352,469</u>	<u>57,175,409</u>
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 36,061,182</u>	<u>\$ 5,761,758</u>	<u>\$ 15,352,469</u>	<u>\$ 57,175,409</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts/contracts payable	\$ 1,264,200	\$ 918,083	\$ 348,411	\$ 2,530,694
Due to other funds	1,113,242	5,331	784,048	1,902,621
Due to other governments	9,276	-	689	9,965
Employee wages payable	1,198,999	(25)	84,292	1,283,266
Performance bonds & deposits payable	72,573	15,000	2,468	90,041
Unearned revenue - ARPA Grant Advance	8,898,088	-	-	8,898,088
Unearned revenue - Court, Parking & Citations	2,159,631	-	511,443	2,671,074
Total liabilities	<u>14,716,009</u>	<u>938,389</u>	<u>1,731,351</u>	<u>17,385,749</u>
Deferred inflows of resources:				
Deferred amount grants received-in-advance	9,610	-	-	9,610
Deferred amount related to leases	109,231	-	556,908	666,139
Deferred amount for property taxes	307,146	-	3,482	310,628
Deferred amount for derived taxes	1,125,056	-	100,738	1,225,794
Deferred amount for opioid settlement	1,131,839	-	-	1,131,839
Total deferred inflows of resources	<u>2,682,882</u>	<u>-</u>	<u>661,128</u>	<u>3,344,010</u>
Total liabilities and deferred inflows of resources	<u>\$ 17,398,891</u>	<u>\$ 938,389</u>	<u>\$ 2,392,479</u>	<u>\$ 20,729,759</u>
Fund balances:				
Nonspendable	\$ 38,095	\$ -	\$ -	\$ 38,095
Restricted	163,571	-	10,162,639	10,326,210
Committed	1,791,802	4,283,399	511,800	6,587,001
Assigned	-	539,970	2,285,551	2,825,521
Unassigned	16,668,823	-	-	16,668,823
Total fund balances	<u>18,662,291</u>	<u>4,823,369</u>	<u>12,959,990</u>	<u>36,445,650</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,061,182</u>	<u>\$ 5,761,758</u>	<u>\$ 15,352,469</u>	<u>\$ 57,175,409</u>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.				117,625,359
Right-to-use assets net of accumulated amortization have not been included as financial resources in governmental fund activity.				1,247,864
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				32,351,149
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of assets.				2,969,032
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.				(66,550,950)
Net position of governmental activities				<u>\$ 124,088,104</u>

See accompanying notes to the financial statements.

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

	General Fund	Transportation Capital Fund	Other Governmental Funds	Governmental Funds Total
REVENUES				
Taxes				
Property	\$ 10,611,135	\$ -	\$ 1,444,833	\$ 12,055,968
Sales	13,202,101	-	1,085,074	14,287,175
Business	14,269,848	1,054,936	-	15,324,784
Other	79,942	605,348	3,718,226	4,403,516
Licenses and permits	1,391,900	568,642	258,102	2,218,644
Intergovernmental	3,932,042	3,920,021	1,344,848	9,196,911
Charges for services	2,998,987	-	221,485	3,220,472
Fines and forfeitures	993,969	-	451,688	1,445,657
Miscellaneous (leases, rentals, judgements & settlements)	391,278	(17,786)	1,584,950	1,958,442
Total revenues	<u>\$ 47,871,202</u>	<u>\$ 6,131,161</u>	<u>\$ 10,109,206</u>	<u>\$ 64,111,569</u>
EXPENDITURES				
Current:				
General government	\$ 7,238,227	\$ -	\$ 264,073	\$ 7,502,300
Public safety	31,190,403	-	288,523	31,478,926
Utilities and environment	82,200	-	-	82,200
Transportation	880,236	1,101,583	4,568,205	6,550,024
Economic environment	2,108,602	-	330,138	2,438,740
Mental/physical health	159,988	-	-	159,988
Culture and recreation	4,239,086	-	794,069	5,033,155
Debt service:				
Principal	110,531	-	2,070,942	2,181,473
Interest and other costs	19,272	-	705,572	724,844
Capital outlay	161,999	5,993,712	281,944	6,437,655
Total expenditures	<u>\$ 46,190,544</u>	<u>\$ 7,095,295</u>	<u>\$ 9,303,466</u>	<u>\$ 62,589,305</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,680,658</u>	<u>\$ (964,134)</u>	<u>\$ 805,740</u>	<u>\$ 1,522,264</u>
OTHER FINANCING SOURCES (USES)				
Capital asset proceed from sales	\$ 28,828	\$ -	\$ 36,939	\$ 65,767
Insurance recoveries & surplus	7,564	-	23,780	31,344
Leases (as Lessee)	42,043	-	-	42,043
Transfers in	449,194	840,175	2,055,565	3,344,934
Transfers out	(1,724,871)	(250,000)	(1,370,923)	(3,345,794)
Total other financing sources and uses	<u>\$ (1,197,242)</u>	<u>\$ 590,175</u>	<u>\$ 745,361</u>	<u>\$ 138,294</u>
Net change in fund balances	\$ 483,416	\$ (373,959)	\$ 1,551,101	\$ 1,660,558
Fund balances-beginning	18,178,875	3,902,834	11,408,889	33,490,598
Prior period adjustments (Note 1B)	-	1,294,494	-	1,294,494
Fund balances-ending	<u>\$ 18,662,291</u>	<u>\$ 4,823,369</u>	<u>\$ 12,959,990</u>	<u>\$ 36,445,650</u>

See accompanying notes to the financial statements.

City of Bremerton
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances – total government funds \$ 1,660,558

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the governmental fund statement because:

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.

	Capital outlay	6,395,613	
	Depreciation expense	(5,102,851)	
	Other capital adjustments	12,937	
	Capital asset disposals	<u>(1,464)</u>	
			1,304,235

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in

	Repayment of bond principal	2,065,000	
	Amortized premium on refunding	83,552	
	Amortized deferred amount on refunding	<u>(87,795)</u>	
			2,060,757

Revenues and expenses in the statement of activities that do not provide current financial resources are not reported in the governmental funds.

	Opioid settlement	1,131,839	
	Compensated absences	(352,807)	
	Deferred revenues	193,930	
	Interest receivable	58,506	
	Interest payable	<u>10,156</u>	
			1,041,624

Pension, other postemployment benefits (OPEB) and leases reporting are not reported in the governmental funds.

	Pension expense adjustment	839,515	
	Pension LEOFF 2 Special Revenue	462,281	
	OPEB expense adjustment	10,932,542	
	Leases adjustment	<u>(12,657)</u>	
			12,221,681

Internal service funds are used by management to charge the costs of fleet maintenance and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

	Net revenue (loss) of internal service funds	<u>341,897</u>	
			341,897

Change in net position of governmental activities \$ 18,630,752

City of Bremerton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual General Fund
For the Year Ended December 31, 2022

	Original Budget 2022	Final Budget 2022	Actual 2022	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 34,612,593	\$ 36,112,593	\$ 38,163,026	\$ 2,050,433
Licenses and permits	1,546,500	1,546,500	1,391,900	(154,600)
Intergovernmental	7,270,747	4,636,314	3,932,042	(704,272)
Charges for services	6,740,831	6,740,831	1,758,526	(4,982,305)
Fines and forfeitures	996,400	996,400	993,969	(2,431)
Other revenues	570,775	725,575	640,432	(85,143)
Total revenues	<u>51,737,846</u>	<u>50,758,213</u>	<u>46,879,895</u>	<u>(3,878,318)</u>
EXPENDITURES				
City Council	415,088	422,177	148,073	274,105
Executive	355,170	359,062	331,858	27,204
Finance	1,630,483	1,668,981	775,425	893,556
Legal	1,736,114	1,780,819	1,039,132	741,687
Human Resources	806,546	822,384	425,530	396,854
Community Development	3,140,448	3,200,233	2,519,355	680,877
Municipal Court	1,611,646	1,638,008	1,462,422	175,585
City Auditor	146,075	150,589	81,602	68,987
Law Enforcement	14,361,424	14,539,606	13,379,988	1,159,619
Fire/Emergency Medical Services	12,645,215	13,647,819	13,162,634	485,185
Police & Fire pension	1,971,000	1,971,000	1,825,003	145,997
Facilities	1,651,140	1,665,329	1,213,444	451,885
Parks and Recreation	3,230,061	3,315,849	3,038,914	276,934
Engineering	3,453,052	3,540,514	897,092	2,643,421
Non-departmental	10,876,089	12,228,745	6,135,880	6,092,865
Total expenditures	<u>58,029,552</u>	<u>60,951,114</u>	<u>46,436,353</u>	<u>14,514,761</u>
Excess (deficiency) of revenues over expenditures	<u>(6,291,706)</u>	<u>(10,192,901)</u>	<u>443,543</u>	<u>10,636,444</u>
Fund balances-beginning	<u>16,530,517</u>	<u>16,274,527</u>	<u>16,269,612</u>	<u>(4,915)</u>
Fund balances-ending	<u>\$ 10,238,811</u>	<u>\$ 6,081,626</u>	<u>\$ 16,713,154</u>	<u>\$ 10,631,529</u>

Amounts reported for actual expenses is different because of the consolidation of Contingency Reserve and Conference Center activity included in the General Fund of the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental funds:

Conference Center Fund Balance-Beginning	\$ 261,283
Conference Center Charges for Services Revenue	1,240,461
Conference Center ARPA Funding	-
Conference Center Other Revenues	244,909
Conference Center Operating Expenses	(1,589,320)
Contingency Reserve Fund Balance-Beginning	1,647,980
Contingency Reserve Other Revenues	143,822
Fund Balances Ending for General Fund of the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental funds.	<u>\$ 18,662,291</u>

EXPENDITURES				
Personnel	38,406,440	38,630,660	32,317,514	6,313,146
Supplies, services & taxes	17,777,811	20,425,154	12,121,711	8,303,443
Capital expenditure	170,000	170,000	119,957	50,043
Transfers	1,675,300	1,725,300	1,877,171	(151,871)
Total expenditures	<u>58,029,552</u>	<u>60,951,114</u>	<u>46,436,353</u>	<u>14,514,760</u>

Transportation Capital Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	Original Budget 2022	Final Budget 2022	Actual 2022	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,586,500	\$ 1,586,500	\$ 1,660,284	\$ 73,784
Licenses and permits	155,000	155,000	568,641	413,641
Intergovernmental	11,808,693	16,584,644	3,920,021	(12,664,623)
Other revenue	3,426,172	3,936,859	822,390	(3,114,469)
Total revenues	<u>16,976,365</u>	<u>22,263,003</u>	<u>6,971,335</u>	<u>(15,291,668)</u>
EXPENDITURES				
Personnel	-	41,089	16,735	24,354
Supplies, services & taxes	1,621,745	2,021,745	1,086,363	935,382
Capital expenditure	16,658,632	21,129,974	5,992,196	15,137,778
Transfers	250,000	250,000	250,000	0
Total expenditures	<u>18,530,377</u>	<u>23,442,808</u>	<u>7,345,295</u>	<u>16,097,513</u>
Excess (deficiency) of revenues over expenditures	<u>(1,554,012)</u>	<u>(1,179,805)</u>	<u>(373,959)</u>	<u>805,846</u>
Fund balances-beginning	1,805,655	3,925,073	3,902,834	(22,239)
Prior period adjustments	-	-	1,294,494	1,294,494
Fund balances-ending	<u>\$ 251,643</u>	<u>\$ 2,745,268</u>	<u>\$ 4,823,369</u>	<u>\$ 2,078,101</u>

See accompanying notes to the financial statements

**City of Bremerton
Statement of Net Position
Proprietary Funds
December 31, 2022**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf	Wastewater	Stormwater	Total	Internal
		Course				Service Funds
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents	\$ 9,723,934	\$ 844,512	4,939,491	\$ 4,975,151	\$ 20,483,088	\$ 5,465,980
Restricted cash	24,169	669,939	131,966	-	826,074	100,000
Investments	8,057,516	1,271,366	3,555,558	4,152,803	17,037,243	4,687,037
Restricted investments	120,709	-	659,093	-	779,802	-
External receivables	1,576,613	64,590	2,162,103	806,208	4,609,514	216,067
Interest receivables	37,077	5,764	19,108	18,827	80,776	21,249
Lease receivables	237,486	13,284	-	-	250,770	-
Due from other funds	165,360	-	3,510,952	130,286	3,806,598	529,061
Due from other governments	-	-	-	41,886	41,886	-
Inventories	953,147	315,221	662,540	-	1,930,908	175,162
Prepayments	-	64,120	-	-	64,120	252,885
Total current assets	20,896,011	3,248,796	15,640,811	10,125,161	49,910,779	11,447,441
Noncurrent assets:						
Net pension asset	830,833	-	658,724	253,040	1,742,597	281,212
Notes and contracts receivable	61,700	-	-	-	61,700	-
Lease receivable	3,407,233	112,234	-	-	3,519,467	-
Capital assets not being depreciated	9,558,216	2,793,733	11,379,780	8,128,958	31,860,687	335,373
Capital assets net of depreciation & amortization	59,417,932	3,519,059	92,704,550	12,660,861	168,302,402	6,285,574
Total noncurrent assets	73,275,914	6,425,026	104,743,054	21,042,859	205,486,853	6,902,159
Total assets	94,171,925	9,673,822	120,383,865	31,168,020	255,397,632	18,349,600
Deferred outflows of resources						
Deferred amount related to pension	961,283	-	693,638	274,183	1,929,104	276,351
Total deferred outflows of resources	961,283	-	693,638	274,183	1,929,104	276,351
Total assets and deferred outflows	\$ 95,133,208	\$ 9,673,822	\$ 121,077,503	\$ 31,442,203	\$ 257,326,736	\$ 18,625,951
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts/contract payable	338,552	411,343	483,508	494,782	1,728,185	226,742
Claims and judgments payable	-	-	-	-	-	338,117
Due to other funds	349,907	8	206,017	3,420,463	3,976,395	139,976
Due to other governments	-	33,863	-	-	33,863	-
Employee wages payable	151,582	252,994	118,646	61,039	584,261	73,308
Other accrued liabilities	161,756	6,966	147,350	86,643	402,715	41,313
Current portion of long-term debt	532,681	350,000	1,434,378	379,893	2,696,952	-
Performance bonds & deposits payable	167,699	269,014	34,310	28,833	499,856	-
Unearned revenue	103,674	-	-	-	103,674	-
Other current liabilities	23,342	-	55,270	-	78,612	-
Total current liabilities	1,829,193	1,324,188	2,479,479	4,471,653	10,104,513	819,456
Noncurrent liabilities:						
Claims and judgments payable	-	-	-	-	-	1,352,470
Bonds, notes and loans payable	5,253,908	1,945,000	14,710,616	5,747,546	27,657,070	-
Leases payable	14,185	-	8,779	2,279	25,243	21,984
Net pension liability	1,164,860	-	367,851	199,252	1,731,963	-
Compensated absences	215,316	-	76,376	68,957	360,649	62,586
Total noncurrent liabilities	6,648,269	1,945,000	15,163,622	6,018,034	29,774,925	1,437,040
Total liabilities	8,477,462	3,269,188	17,643,101	10,489,687	39,879,438	2,256,496
Deferred amounts related to leases						
	3,624,327	124,904	-	-	3,749,231	-
Deferred amounts related to pension	962,980	-	670,695	268,219	1,901,894	260,503
Total deferred inflows of resources	4,587,307	124,904	670,695	268,219	5,651,125	260,503
Total liabilities and deferred inflows	\$ 13,064,769	\$ 3,394,092	\$ 18,313,796	\$ 10,757,906	\$ 45,530,563	\$ 2,516,999
NET POSITION						
Net investment in capital assets	63,175,365	4,017,792	87,930,545	14,660,097	169,783,799	6,598,963
Restricted for capital assets	-	669,939	-	-	669,939	-
Restricted for debt service	144,878	-	791,059	-	935,937	-
Restricted for worker's compensation	-	-	-	-	-	100,000
Restricted for pension	878,235	-	697,172	267,402	1,842,809	297,060
Unrestricted	17,869,961	1,591,999	13,344,931	5,756,798	38,563,689	9,112,929
Total net position	\$ 82,068,439	\$ 6,279,730	\$ 102,763,707	\$ 20,684,297	\$ 211,796,173	\$ 16,108,952
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					\$ 13,139,920	
Net position of business-type activities					\$ 224,936,093	

See accompanying notes to the financial statements.

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

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf	Wastewater	Stormwater	Total	Internal Service Funds
		Course				
OPERATING REVENUES						
Charges for services	\$ 15,297,673	\$ 6,542,766	\$ 17,913,394	\$ 5,261,573	\$ 45,015,406	\$ 7,362,826
Other operating revenue	981,775	-	29,088	10,325	1,021,188	7
Total operating revenues	<u>16,279,448</u>	<u>6,542,766</u>	<u>17,942,482</u>	<u>5,271,898</u>	<u>46,036,594</u>	<u>7,362,833</u>
OPERATING EXPENSES						
Operations and maintenance	11,324,042	\$ 130,942	11,629,604	4,072,564	27,157,152	4,413,956
Contracted operations	-	5,295,272	-	-	5,295,272	-
Customer service and marketing	500,204	-	390,093	227,921	1,118,218	-
General administration	266,388	-	218,661	185,521	670,570	767,219
Depreciation and amortization	2,773,293	154,922	4,407,876	268,707	7,604,798	1,088,997
Risk transfer payments	-	-	-	-	-	1,552,732
Payments to claimants & beneficiaries	-	-	-	-	-	167,200
Total operating expenses	<u>14,863,927</u>	<u>5,581,136</u>	<u>16,646,234</u>	<u>4,754,713</u>	<u>41,846,010</u>	<u>7,990,104</u>
Operating income (loss)	<u>1,415,521</u>	<u>961,630</u>	<u>1,296,248</u>	<u>517,185</u>	<u>4,190,584</u>	<u>(627,271)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and investment revenue	1,971	(7,008)	(49,917)	(11,074)	(66,028)	(43,389)
Interest expense	(149,152)	(92,928)	(305,640)	(96,475)	(644,195)	(79)
Gain (loss) on capital asset disposal	-	-	-	-	-	(48,787)
Other nonoperating revenue/expense	579,585	13,900	5,148	503	599,136	78,488
Total nonoperating revenues (expenses)	<u>432,404</u>	<u>(86,036)</u>	<u>(350,409)</u>	<u>(107,046)</u>	<u>(111,087)</u>	<u>(13,767)</u>
Income (loss) before contributions and transfers	<u>1,847,925</u>	<u>875,594</u>	<u>945,839</u>	<u>410,139</u>	<u>4,079,497</u>	<u>(641,038)</u>
Capital contributions	1,940,440	-	1,328,946	1,336,914	4,606,300	1,386,783
Transfers to other funds	-	-	-	-	-	(104,140)
Transfers from other funds	30,000	-	-	75,000	105,000	-
Change in net position	<u>3,818,365</u>	<u>875,594</u>	<u>2,274,785</u>	<u>1,822,053</u>	<u>8,790,797</u>	<u>641,605</u>
Total net position - beginning	<u>78,250,074</u>	<u>5,404,136</u>	<u>100,488,922</u>	<u>18,862,244</u>	<u>203,005,376</u>	<u>15,467,347</u>
Total net position - ending	<u>\$ 82,068,439</u>	<u>\$ 6,279,730</u>	<u>102,763,707</u>	<u>\$ 20,684,297</u>	<u>\$ 211,796,173</u>	<u>\$ 16,108,952</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>299,709</u>	
Change in net position of business-type activities.					<u>\$ 9,090,506</u>	

See accompanying notes to the financial statements.

City of Bremerton
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Stormwater	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 15,192,400	\$ 6,514,528	\$ 17,990,230	\$ 5,193,567	\$ 44,890,725	\$ -
Cash receipts from interfund services	70,877				70,877	7,384,907
Other receipts and payments	910,898		29,088	(28,129)	911,857	7
Cash payments to suppliers	(3,859,668)	(5,256,461)	(3,134,186)	(552,928)	(12,803,243)	(3,026,575)
Cash payments to employees	(4,391,013)	(7,897)	(3,463,962)	(1,337,930)	(9,200,802)	(1,823,186)
Cash payments for interfund services	(8,149,004)	(123,045)	(4,523,187)	(498,009)	(13,293,245)	(527,631)
Purchase of insurance	-	-	-	-	-	(1,552,732)
Payment for insurance claims	-	-	-	-	-	(792,674)
Net cash provided (used) by operating activities	(225,511)	1,127,126	6,897,983	2,776,571	10,576,168	(337,884)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant proceeds	-	-	-	-	-	-
Transfer ins	30,000	-	-	75,000	105,000	-
Transfer outs	-	-	-	-	-	(104,140)
Other receipts and payments	333,653	13,286	5,148	504	352,591	20,707
Net cash provided (used) by noncapital financing activities	363,653	13,286	5,148	75,504	457,591	(83,433)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Loan proceeds	-	-	5,064,945	3,725,472	8,790,417	-
Capital contributions	1,940,440	-	1,328,946	1,336,914	4,606,300	1,644,956
Collections on notes receivable	-	-	-	-	-	-
Sale or involuntary conversion of capital assets	-	-	-	-	-	113,378
Acquisition and construction of capital assets	(2,675,333)	(199,173)	(7,825,047)	(5,376,196)	(16,075,750)	(418,111)
Principal paid bonds	(219,015)	(340,000)	(351,985)	(84,000)	(995,000)	-
Principal paid on other debt	(400,159)		(818,284)	(172,184)	(1,390,627)	-
Interest paid on bonds and other debt	(166,437)	(93,742)	(288,290)	(81,418)	(629,887)	434
Net cash provided (used) by capital and related financing activities	(1,520,504)	(632,915)	(2,889,715)	(651,413)	(5,694,547)	1,340,657
CASH FLOW FROM INVESTING ACTIVITIES						
Interest on loans and investments	(17,155)	(10,642)	35,666	(23,459)	(15,590)	(56,085)
Net change in investments	(982,902)	(417,478)	(2,268,219)	(1,570,423)	(5,239,022)	(1,057,087)
Net cash provided (used) by investing activities	(1,000,057)	(428,120)	(2,232,553)	(1,593,881)	(5,254,611)	(1,113,172)
Net increase (decrease) in cash and cash equivalents	(2,382,419)	79,377	1,780,863	606,780	84,601	(193,832)
Cash and equivalents - beginning	12,130,522	1,435,074	3,290,594	4,368,371	21,224,561	5,759,812
Cash and equivalents - ending	\$ 9,748,103	\$ 1,514,451	\$ 5,071,457	\$ 4,975,151	\$ 21,309,162	\$ 5,565,979
Cash at the end of the year consists of:						
Operating fund cash	9,723,934	844,512	4,939,491	4,975,151	20,483,088	5,465,981
Restricted cash	24,169	669,939	131,966	-	826,074	100,000
Total cash at end of year	\$ 9,748,103	\$ 1,514,451	\$ 5,071,457	\$ 4,975,151	\$ 21,309,162	\$ 5,565,981

See accompanying notes to the financial statements.

City of Bremerton
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Golf Course	Wastewater	Stormwater	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,415,521	\$ 961,630	\$ 1,296,248	\$ 517,185	\$ 4,190,584	\$ (627,274)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	2,773,293	154,922	4,407,876	268,707	7,604,798	1,088,997
GASB 68 pension expense adjustment	(258,523)	-	(322,976)	(70,989)	(652,488)	(150,435)
GASB 87 leases adjustment	(2,172)	-	(717)	(241)	(3,130)	(11,806)
Decrease (increase) in receivables	(105,746)	64,239	76,835	(68,005)	(32,677)	(215,640)
Decrease (increase) in due from other funds/govt	233,891	-	2,110,519	38,987	2,383,397	237,723
Decrease (increase) in prepaid expenses	-	(22,553)	-	-	(22,553)	-
Decrease (increase) in inventory	(101,062)	(50,813)	(32,757)	-	(184,632)	(83,394)
Increase (decrease) in accounts payable	(252,902)	71,190	14,665	162,825	(4,222)	(73,309)
Increase (decrease) in due to other funds/govt	(3,962,069)	(4,419)	(631,906)	1,912,789	(2,685,605)	105,539
Increase (decrease) in employee wages payable	14,631	45,407	(9,729)	13,283	63,592	23,140
Increase (decrease) in employee leave payable	19,155	-	(10,075)	2,030	11,110	(3,119)
Increase (decrease) in other payables	472	(92,478)	-	-	(92,006)	(628,304)
Revenue received for prior year	-	-	-	-	-	-
Net cash provided by operating activities	<u>\$ (225,511)</u>	<u>\$ 1,127,126</u>	<u>\$ 6,897,983</u>	<u>\$ 2,776,571</u>	<u>\$ 10,576,168</u>	<u>\$ (337,883)</u>
Noncash investing, capital and financial activities						
Developers contributed infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

City of Bremerton
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

		<u>Custodial Activities</u>
	2	
Cash and cash equivalents		\$ 2,343,169
Accounts receivable		851
Total assets		<u>\$ 2,344,020</u>
LIABILITIES		
Due to other governments		
Court fines, penalties, litigation & seizure		16,401
Leasehold tax		1,888
License, surcharges & fees		1,364
Accounts payable and other liabilities		52,741
Total liabilities		<u>\$ 72,394</u>
NET POSITION		
Restricted for:		
Individuals, organizations & other governments		2,271,626
Total net position		<u>\$ 2,271,626</u>

See accompanying notes to the financial statements.

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

		<u>Custodial Activities</u>
ADDITIONS		
Collected for other governments:		
Court fines, penalties & litigation	\$	297,419
Building code surcharge		14,908
Leasehold tax		7,840
Concealed weapons surcharge		5,718
Fingerprint, dealer license & background fee		3,142
Seizures & evidence		19,808
Association dues, Bremerton Government Center Owners Association		964,871
Contributions, Gorst Coalition		107,000
Total additions	\$	<u><u>1,420,706</u></u>
DEDUCTIONS		
Payments to other governments:		
Court fines, penalties, litigation & seizure	\$	205,453
Building code surcharge		14,908
Leasehold tax		7,840
Concealed weapons surcharge		6,861
Fingerprint, dealer license & background fee		3,857
Seizures & evidence		-
Association expenses, Bremerton Government Center Owners Association		835,304
Professional services, Gorst Coalition		-
Total deductions	\$	<u><u>1,074,222</u></u>
Net increase (decrease) in fiduciary net position	\$	346,484
Net Position-beginning		<u>1,925,142</u>
Net Position-ending	\$	<u><u>2,271,626</u></u>

See accompanying notes to the financial statements.

City of Bremerton
Notes to Financial Statements
January 1, 2022 – December 31, 2022

1. Summary of significant accounting policies

The financial statements of the City of Bremerton 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 Bremerton was incorporated on October 14, 1901 and operates under the laws of the State of Washington applicable to a home-rule charter city with a Council/Mayor form of government. The City is a general-purpose government which provides police, fire, water, wastewater, street maintenance, parks and recreation, planning and zoning, municipal court and general governmental services to its citizens. The City is also responsible for appointing the members of the board of Bremerton Housing Authority, but the accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. 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. For the most part, the effect of interfund activity has been removed from these statements.

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. Our policy is to not 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City eliminates the effect of interfund activity from the government-wide financial statements. There are some exceptions to this rule, such as charges between the utility function and other functions within the City, and any utility taxes levied on the City's own utilities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The City reports the following major governmental funds:

The General fund is the City's operating fund. It accounts for all financial resources and transactions except those required to be accounted and reported for in another fund.

The Transportation Capital fund is a capital improvement fund. It is a dedicated fund for the purpose of making capital improvements to the City's street system.

The City reports the following major proprietary funds:

The Water and Wastewater funds account for activities related to the ongoing operations of the City's water and sewer systems.

The City's Stormwater fund does not meet the criteria for presentation as a major fund but because it is the only other proprietary fund it is listed on the face of the proprietary fund statements with the major funds.

The Golf course fund accounts for the operations and maintenance of the City owned Gold Mountain Golf Course.

Additionally, the City reports the following fund types:

Debt service funds account for the resources accumulated and payments made for principal and interest on general obligation debt except those required to be accounted for in another fund.

Special revenue funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulation. Their revenues are earmarked to finance certain activities or functions.

Capital project funds account for the acquisition or development of capital facilities for governmental activities. Their major sources of revenues are from proceeds from general obligation bonds, loans, real estate excise tax, impact fees, and grants from other agencies and contributions from other funds.

Internal service funds account for the accumulation of funds used to repair City vehicles and equipment and to replace them at the end of their useful lives. Funds are also accumulated for the purpose of carrying out the city's Risk Management, Information Technology Services, Unemployment and Employee leave payout activities. In all cases, City departments contribute according to the benefit provided by each fund.

Accounting and Reporting Changes

The City implemented GASB Statement No. 87, *Leases*, improves accounting and financial reporting of leases by governments. It requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use underlying asset. See Note 9, Leases for more information.

Prior Period Adjustment

Transportation Capital fund's traffic mitigation fees were classified as performance bonds and deposits payable in prior years but should have been classified as revenue. A prior period adjustment in the amount of \$1,294,494 is recorded on the Statement of Revenues, Expenditures and Changes in Fund Balances for the Transportation Capital fund.

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, similar to the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include charges to customers, special assessments, operating grants and contributions and capital grants and contributions. General revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues includes charges for services rendered for water, sewer, stormwater as well as golf fees and timber revenues. Operating expenses include administration, operations and maintenance expenses and depreciation on capital assets. All revenues and expenses not falling into the above broad categories are reported as nonoperating revenues and expenses.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for all funds except fiduciary fund types. All appropriations lapse at the end of each year. The budget is prepared using a basis of accounting substantially the same as the GAAP basis used in accounting for governmental funds. The budgetary basis of accounting differs from generally accepted accounting principles. The City budgets the Contingency Reserve and Conference Center activities as if they were special revenue funds. However, GAAP requires these activities to be reported within the General fund. The Conference Center fund does not have a significant stream of restricted resources and under GAAP the Contingency Reserve fund was established for a specific purpose, stabilization, which should be included in the General fund. From a budgetary perspective, the city budgets for each of these funds separately from the General fund. The budgetary comparison for the General Fund does not include the managerial funds.

2. Amending the Budget

The City's budget is adopted at the department and category group level. The five distinct category groups are 1) Personnel, 2) Supplies, Services and Taxes, 3) Debt Service, 4) Capital Expenditures and 5) Transfers. Expenditures may not legally exceed appropriations at that level of detail. The Mayor may authorize a one-time transfer of less than \$10,000 between category groups within a department. All other revisions within a fund or any revisions that alter the total expenditures of a fund or affect the number of authorized employee positions or salary ranges must be approved by the City Council. The City's budget was amended two times in 2022.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all supplemental appropriations authorized for the fiscal year.

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2022, the City was holding \$53,919,126 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds, including fiduciary fund. The interest on these investments is prorated to the various funds.

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

2. Investments - See Note 3 Deposits and Investments.

3. Receivables

Receivables consist of property, business and occupation (B&O), utility, sales and parking taxes, and housing rehabilitation loans resulting from the Federal Department of Housing and Urban Development, as well as other revenues earned by the City from the County, State and other taxpayers but not yet received. Also included are customers' accounts receivable which consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

4. Amounts Due to and From Other Funds and Governments

Amounts due to and from other funds include interfund loans receivable/payable as well as outstanding balances that have resulted from the provision of services between funds as well as corrections of prior transactions. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A summary schedule of interfund loans receivable and payable is furnished in Note 14.

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

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The portion of fund balance not available for future expenditure is included in the non-spendable category of fund balance. A comparison to market value is not considered necessary.

In proprietary funds, a perpetual inventory is maintained, in which the cost is capitalized when inventory items are purchased and expensed when the item is consumed. Inventory is recorded by the FIFO (first in first out) method which approximates market value.

6. Restricted Assets and Liabilities

These accounts contain resources for programs, construction, replacement, and debt service. Specific debt service reserve requirements are described in Note 8, *Long-Term Debt*. Restricted assets are composed of the following:

Governmental type:

Cash and investments - Construction	\$ 7,991,538
Cash and investments - Conference Center	163,571
Cash and investments - Public safety	846,610
Cash and investments - Public Television	316,686
Cash and investments - Workers compensation	100,000
Cash and investments - Tourism promotion	620,824
Cash and investments - Debt Service	224,423
Receivables - Debt Service	9,634
Receivables - HUD programs	152,635
Receivables - HUD programs	<u>1,131,839</u>
Total governmental	\$ 11,557,760

Business type:

Cash and Investments - Debt service Water fund	\$ 144,878
Cash and Investments - Debt service Wastewater fund	791,059
Cash and Investments - Construction Golf fund	<u>669,939</u>
Total business	\$ 1,605,876

7. Capital Assets. See Note 5, *Capital Assets*.

Capital assets, which include property, plant, equipment, intangible 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 \$10,000 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 estimated acquisition value per GASB 72, at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The cost of normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is not included as a part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings	50 Years
Improvements Other than Buildings – Governmental Assets	20 Years
Improvements Other than Buildings – Proprietary Assets	50 Years
Infrastructure	10-15 Years
Plant Machinery and Equipment	20 Years
Furniture and Fixtures	20 Years
Vehicles and Similar Equipment	7-10 Years
Data Processing/Electronic Equipment	5 Years

8. Other Assets

This account reflects various non-current assets of the City including utility water rights, risk management prepayments and receivables for community development block grant loans.

9. Deferred outflow of resources

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The account includes the portion of a loss on the refunding of debt attributable to future periods. This account also includes pension costs attributable to future periods. See Note 7, *Pension Plans* for a discussion on pension reporting. Lastly, this account also includes the City’s OPEB contributions subsequent to the measurement date. See Note 16, *Defined Benefit Other Postemployment Benefits (OPEB) Plans* for a discussion of OPEB reporting.

10. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits.

The City records a liability for all outstanding vacation pay. The payment is based on current wages at termination. Employees with the required length of service may receive cash payouts for all accumulated vacation leave. Maximum vacation payout is dependent on which labor group covers a specific employee based on the following chart:

<u>Employee Group</u>	<u>Maximum Vacation Cash Out</u>
Teamsters	240 hours
IAFF Local 437 (firefighters)	315 hours
Police Guild	360 hours
Police Management	300 hours
Non-represented personnel	240 hours

Non-exempt employees may request compensatory time off in lieu of overtime payment. Unused compensatory time is cashed out upon termination based on wages at that time. The City records a liability for all outstanding compensatory time. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked up to the following maximums allowed and may be carried over from year to year:

<u>Employee Group</u>	<u>Maximum Compensatory Time Cash Out</u>
Teamsters	40 hours
IAFF Local 437 (shift personnel)	275 hours
IAFF Local 437 (non-shift personnel)	209 hours
Police Guild	60 hours

Upon resignation, employee's ineligible for retirement do not receive any compensation for unused sick leave. Employees that meet the eligibility criteria for service retirement may receive cash payouts of 35% of unused sick leave up to the maximum allowed based on the following:

<u>Employee Group</u>	<u>Maximum Sick Leave Cash out</u>
Teamsters	35% of 960 hours (336 hours max)
IAFF Local 437 (shift firefighters)	35% of 1440 hours (504 hours max)
IAFF Local 437 (non-shift personnel)	35% of 1166 hours (408 hours max)
Police Guild	35% of 1200 hours (420 hours max)
Police Management	35% of 1200 hours (420 hours max)
Non-represented personnel	35% of 960 hours (336 hours max)

The City records a liability for sick leave for all personnel that meet the eligibility criteria for retirement. The payment is based on current wages at time of retirement.

The entire eligible compensated absence liability is reported on the government-wide financial statements. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

11. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the (plan/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 and the related deferred outflows and deferred inflows.

12. Other Current/Accrued Liabilities

These accounts on the fund statements include deposits payable held on open contracts as well as the current portion of claims and judgments payable.

13. Long-term Debt See Note 8, *Long-Term Debt*.

14. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. The City's reported unearned revenue consists of the receivable portion determined to be long-term for red-light traffic infractions, court fines and funds from the American Rescue Plan Act (ARPA). In proprietary funds this amount represents credit balances on customer utility accounts.

15. Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

16. Leases

Lessee: The City is a lessee for noncancelable leases. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The City recognizes all lease liabilities regardless of the individual value.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The City is a lessor for noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

17. Fund Balance Classification, Details, and Minimum Fund Balance

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds' resources. Fund balances are classified in the following manner:

Non-spendable includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories, prepaid items and permanent trust are classified as non-spendable fund balances.

Restricted – includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legislation.

Committed – includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposes for which committed funds can be used should have the consent of both the legislative and executive branches of government. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify or rescind fund balance commitments.

Assigned – includes amounts that are intended to be used for specific purposes but are neither restricted nor committed. The authority for assignment of funds is not required to be the government's highest level of decision-making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council ordinances and resolutions.

Unassigned – includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. Fund balances that can be utilized for economic stabilization, emergencies and contingencies that do not qualify as restricted or committed are reported as unassigned.

	General Fund	Transportation Capital Fund	Other Funds	Total
Fund balances:				
Nonspendable:				
Inventory	\$ 38,095	\$ -	\$ -	\$ 38,095
Restricted for:				
Tourism promotion	\$ -	\$ -	\$ 620,824	\$ 620,824
Conference Center	163,571	-	-	163,571
Community development block grant	-	-	152,635	152,635
Public safety	-	-	742,904	742,904
Public Access Television	-	-	316,686	316,686
Court Improvement	-	-	103,706	103,706
Debt service	-	-	234,346	234,346
Capital projects	-	-	7,991,538	7,991,538
Committed to:				
Fund balance stabilization	\$ 1,791,802	\$ -	\$ -	\$ 1,791,802
Abatement	-	-	175,000	175,000
Employee Wellness	-	-	5,314	5,314
Parks	-	-	178,926	178,926
Public safety	-	-	35,091	35,091
Public art	-	-	8,993	8,993
Transportation Capital	-	4,283,399	-	4,283,399
Affordable Housing	-	-	75,791	75,791
Other	-	-	32,685	32,685
Assigned to:				
Street Operations	\$ -	\$ -	\$ 309,114	\$ 309,114
Tourism promotion & facilities	-	-	45,663	45,663
Parking System	-	-	520,818	520,818
Building Abatement	-	-	405,468	405,468
Public Access Television	-	-	317,000	317,000
Court Improvement	-	-	10,539	10,539
Debt Service	-	-	208,074	208,074
Transportation Capital	-	539,970	-	539,970
Capital Improvements	-	-	468,875	468,875
Unassigned:	16,668,823	-	-	16,668,823
Total Fund Balances	\$ 18,662,291	\$ 4,823,369	\$ 12,959,990	\$ 36,445,650

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. The City's Financial Goals and Policies call for unrestricted resources to be reduced in the following order when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: committed amounts are reduced first, followed by assigned amounts, and then unassigned.

A minimum fund balance policy has been established by the City Council that establishes target year end operating cash and investment balances as a percentage of budgeted operating expenditures for the City's General, Water, Wastewater, Stormwater and Golf Course funds. The following table shows the status at December 31, 2022.

Fund	Target Rate	Target Balance	Balance 12/31/2022
General	8.5%	\$ 4,790,111	\$ 16,702,811
Water	12%	2,730,605	18,431,181
Wastewater	12%	2,665,797	12,680,839
Stormwater	12%	1,654,819	6,049,935
Golf Course	12%	616,382	1,953,069

A contingency reserve fund, for the purposes of economic stabilization, was created by the City Council to protect the City's General fund in the event of unforeseen and unfunded emergency requirements. The target fund balance is set at

0.375/\$1,000 of assessed valuation. The proceeds of sale of all General fund real property are committed to this purpose. Funds are to be expended, with the unanimous vote of the City Council, only in the event of a bona fide emergency defined as a significant crisis threatening the financial viability of the City. If the balance of the fund is less than the target amount a repayment plan shall be established to replenish the fund to its minimum level. Balances in excess of the stated amount can be used for capital purposes upon City Council approval by simple majority vote. For 2022 the target fund balance of the contingency reserve fund is \$1,819,555. At 12/31/2022 the balance was \$1,791,802.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net position for governmental activities

The governmental fund balance sheet includes reconciliation between total fund balance and total net position for governmental activities as reported in the government-wide statement of net position. The details of the aggregated differences are presented below.

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds:

Capital assets of governmental funds not being depreciated	\$ 32,143,778
Capital assets of governmental funds being depreciated	172,271,952
Accumulated depreciation	(86,790,371)
Net adjustment to fund balance for capital assets	<u>\$ 117,625,359</u>

Right-to-use assets net of accumulated amortization have not been included as financial resources in governmental fund activity.

Right-to-use asset (lease)	1,376,993
Accumulated amortization	(129,129)
Net adjustment to fund balance for capital assets	<u>\$ 1,247,864</u>

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Deferred revenue for taxes and receivables due beyond the city's 30 day measurable and available period	\$ 5,339,335
Investment interest accrued beyond the city's 30 day measurable and available period	93,554
Net Pension Asset	17,524,293
Deferred Pension Outflows	8,860,190
Deferred OPEB Outflows	533,777
Net adjustment to fund balance for other long-term assets	<u>\$ 32,351,149</u>

Internal Service funds are used by management to charge the costs of certain activities to individual funds:

Net position of risk management fund	\$ 46,067
Net position of self insurance fund	36,652
Net position of employment security fund	307,717
Net position of accrued leave fund	948,903
Net position of equipment maintenance fund	190,202
Net position of information technology fund	1,439,491
Net adjustment to fund balance for internal service funds	<u>\$ 2,969,032</u>

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

GO bonds payable	\$ (20,160,000)
Less: Issuance premiums	(524,560)
Add: Deferred amount on refunding	597,019
Accrued interest payable	(118,669)
Compensated absences	(3,357,960)
Net Pension Liability	(1,333,458)
Deferred Pension Inflow	(7,893,345)
Lease Liability	(1,260,520)
Other Post Employment Benefits	(32,499,457)
Net adjustment to fund balance for long-term liabilities	<u>\$ (66,550,950)</u>

B. Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities for governmental activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

Government 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.

Capital outlay	\$ 6,395,613
Depreciation	(5,102,851)
Other capital adjustments	12,937
Capital asset disposals	(1,464)
Net adjustment to net change in fund balances - governmental funds	<u>\$ 1,304,235</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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.

GO Bond Principle Paid	\$ 2,065,000
Amortized Bond Premium	83,552
Amortized Deferred Amount on Refunding	(87,795)
Net adjustment to net change in fund balances - governmental funds	<u>\$ 2,060,757</u>

Some revenues and expenses reported in the statement of activities do not provide or do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest receivable	\$ 58,506
Change in court fines receivable	(32,463)
Change in block grant loans receivable	(12,385)
Change in parking/red light fines receivable	213,912
Change in property taxes	19,262
Change in other deferred revenues	(723)
Change in derived taxes	6,327
Change in opioid settlement	1,131,839
Change in Pension Expense GASB 68	839,515
LEOFF 2 Special Rev GASB 68	462,281
Change in other post-employment benefits payable	10,932,542
Change in lease liability	(12,657)
Change in accrued interest payable	10,156
Change in compensated absences payable	(352,807)
Net adjustment to net change in fund balances - governmental funds	<u>\$ 13,263,305</u>

The net revenue of certain internal service fund activities is governmental in nature and is included in the change in net position in the government-wide statements.

Net revenue of risk management activities	\$ (212,227)
Net revenue of self insurance activities	-
Net loss of employment security activities	56,332
Net revenue of accrued leave activities	302,225
Net revenue of equipment maintenance activities	22,863
Net revenue of information technology activities	172,704
Net adjustment to net change in fund balances - governmental funds	<u>\$ 341,897</u>

C. Explanation of aggregated differences between the proprietary fund statements and the government-wide statement of activities for business activities

The proprietary funds statement of net position and proprietary fund statement of revenues, expenses and changes in net position include a reconciliation item. The net position and net revenue of the Equipment Rental Reserve internal service fund is proprietary in nature and is included in the government-wide statements for business activities.

Net position of equipment rental reserve fund	\$ 13,139,920
Net adjustment to net change in fund balances - proprietary funds	<u>\$ 13,139,920</u>
Net revenue of equipment rental reserve activities	299,709
Net adjustment to fund balance for internal service funds	<u>\$ 299,709</u>

3. Deposits and Investments

A. Deposits

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

B. Investments

As required by state law, all investments of the City funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at market value. Other property and investments are shown on the statement of net position at cost.

Cash & Cash Equivalents

Cash on hand	7,213,947
Total Cash & Cash Equivalents	\$ 7,213,947

Investment Type	Investment Maturity (in Years)					Percent of Total
	Fair Value	<12 Months	13-24 Months	>25 Months		
Federal Farm Credit Bank	\$ 1,877,890	\$ 932,750	\$ 945,140	\$ -	2.1%	
Federal Home Loan Bank	1,991,290	1,991,290	-	-	2.2%	
Federal Home Loan Mortgage	8,272,361	5,825,270	-	2,447,091	9.2%	
Federal National Mortgage Association	976,550	976,550	-	-	1.1%	
Pierce County School District	579,341	579,341	-	-	0.6%	
US Treasury	29,442,280	1,950,280	11,792,965	15,699,035	32.8%	
Local Government Investment Pool	46,705,179	46,705,179	-	-	52.0%	
Total	\$ 89,844,890	\$ 58,960,660	\$ 12,738,105	\$ 18,146,126	100.0%	

Total Cash and Investments \$ 97,058,837

The amounts above include the \$2,343,169 for fiduciary funds. Additionally, the City held \$552,922 in cash in clearing accounts.

Interest Rate Risk. As a means of limiting its exposure to realized fair value losses arising from rising interest rates, the City's investment policy requires that to the extent possible maturities be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the City is limited by the investment policy to maturities of five years or less.

Investment Type	Fair Value (1)	Credit Ratings			
		AAA/Aaa (2)	AA/Aa (2)	A (2)	Unrated
Federal Agency Obligations	\$ 13,118,091	\$ 13,118,091	\$ -	\$ -	\$ -
State Treasurer's Investment Pool (3)	46,705,179	-	-	-	46,705,179
US Treasury	29,442,280	29,442,280	-	-	-
School Districts	579,341	579,341	-	-	-
Bank Deposits	7,213,947	-	-	-	7,213,947
Total	\$ 97,058,837	\$ 43,139,712	\$ -	\$ -	\$ 53,919,126

(1) Fair Value includes accrued interest

(2) Rating agencies: Moody's AAA, AA, A; S&P Aaa, A

(3) Measured at amortized cost

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy limits investments to those authorized by State of Washington statutes governing the investment of public funds. The City's investments in agency securities were rated AA+ by Standard & Poor's Rating Service. The Washington State

Local Government Investment Pool which operates in a manner consistent with the section 2a-7 of the SEC’s Investment Act of 1940, is unrated.

Concentration of Credit Risk. The City’s investment policy states that (with the exception of U.S. Treasury securities and the State Investment Pool) no more than 30% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution. At 12/31/22 the portfolio was in compliance with this policy.

Local Government Investment Pool	48%
Federal Farm Credit Bank	2%
Federal Home Loan Bank	2%
Federal Home Loan Mortgage	9%
Federal National Mortgage Association	1%
US Treasury	30%

Custodial Credit Risk. The custodial credit risk for deposits is the risk that in the event of bank failure, the City’s deposits may not be recovered. The City of Bremerton’s investment policy requires deposits to be in a qualified financial institution. The definition of qualified institution is described in RCW 39.58.080 and the bank must be a participant in the State of Washington’s Public Depository Protection Commission (PDPC).

The custodial credit risk for safekeeping of securities is the risk if the City would not have access to investment holdings. The City’s investment policy requires that all security transactions be conducted on a delivery versus payment basis. Securities will be held in a third-party custodial account designated by the City Treasurer.

Investments Measured at Fair Value

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

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

Investments measured at Fair Value Level	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Federal Agency Obligations	\$ 13,118,091	\$ -	\$ 13,118,091	\$ -
US Treasury	29,442,280	29,442,280	-	-
School Districts	579,341	579,341	-	-
Total	\$ 43,139,712	\$ 30,021,621	\$ 13,118,091	\$ -

Investments in Local Government Investment Pool (LGIP)

The City is a participant in the Local Government Investment Pool was 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>.

4. Property Taxes

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

A. Property Tax Calendar

January 1 - Taxes are levied and become an enforceable lien against properties.

February 14 - Tax bills are mailed.

April 30 - First of two equal installment payments is due.

May 31 - Assessed value of property established for next year's levy at 100 percent of market value.

October 31 - Second installment is due.

Property taxes are recorded as a revenue and receivable when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflow of resources and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

RCW 84.52.043 allows a city to levy taxes of up to \$3.375 per \$1,000 of taxable property in the city and RCW 41.16.060 allows an additional \$0.225 per \$1,000 for any municipal purpose, if not required to fund pension programs. For cities annexed to a library district, such as the City, the maximum levy rate is reduced by the amount of the library district levy. For tax year 2022, the Kitsap Regional Library District levied \$0.325 per \$1,000 of assessed valuation, and therefore the City's maximum levy rate is \$3.499 per \$1,000 of assessed valuation. These taxes may be levied without a vote of the people. This limitation is exclusive of a potential levy for the maintenance of a local improvement guaranty fund, which the City does not levy.

The City's regular levy for 2022 was \$1.685 per \$1,000 on an assessed valuation of \$5.035 billion, for a total regular levy of \$8,481,509.

Special levies approved by the voters are not subject to the above limitations. In 2022, the City levied an additional \$0.801 per \$1,000 for General Obligation Bonds and Emergency Medical Services, for a total additional levy of \$3,522,370.

Article VII, Section 2 of the Washington Constitution, as amended in 1973, limits aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to \$10 per \$1,000 or one percent of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

5. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Governmental Activities	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 20,373,946	\$ -	\$ -	\$ 20,373,946
Construction in progress	9,469,202	6,395,614	4,100,134	11,764,682
Intangibles	5,150	-	-	5,150
Total capital assets, not being depreciated	<u>29,848,298</u>	<u>6,395,614</u>	<u>4,100,134</u>	<u>32,143,778</u>
Capital assets, being depreciated:				
Buildings/building improvements	64,104,415	567,619	-	64,672,034
Right-to-use leased building	1,272,258	-	-	1,272,258
Improvements other than buildings	22,331,976	29,312	-	22,361,288
Machinery and equipment	12,760,117	102,525	214,548	12,648,094
Right-to-use leased equipment	89,203	49,243	-	138,446
Infrastructure	69,279,676	3,413,615	-	72,693,291
Total capital assets, being depreciated	<u>169,837,645</u>	<u>4,162,314</u>	<u>214,548</u>	<u>173,785,411</u>
Less accumulated depreciation for:				
Buildings/buildings improvements	21,450,446	1,305,269	-	22,755,715
Right-to-use leased building	-	104,568	-	104,568
Improvements other than buildings	15,377,637	702,073	-	16,079,710
Machinery and equipment	8,672,476	608,379	213,084	9,067,771
Right-to-use leased equipment	-	36,321	-	36,321
Infrastructure	36,476,750	2,502,752	-	38,979,502
Total accumulated depreciation	<u>81,977,309</u>	<u>5,259,362</u>	<u>213,084</u>	<u>87,023,587</u>
Total capital assets, being depreciated, net	<u>87,860,336</u>	<u>(1,097,048)</u>	<u>1,464</u>	<u>86,761,824</u>
Governmental activities capital assets, net	<u>\$ 117,708,634</u>	<u>\$ 5,298,566</u>	<u>\$ 4,101,598</u>	<u>\$ 118,905,602</u>

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

Governmental Activities:	
General government	\$ 212,031
Public safety	646,234
Transportation, including depreciation of general infrastructure assets	2,645,313
Culture and recreation	1,599,273
Right-to-use leased building & equipment	140,889
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>15,622</u>
Total depreciation expense - Governmental activities	<u>\$ 5,259,362</u>

Business-type Activities	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 9,881,734	\$ -	\$ -	\$ 9,881,734
Construction in progress	13,953,910	15,916,488	7,673,977	22,196,421
Intangibles	117,904	-	-	117,904
Total capital assets, not being depreciated	23,953,548	15,916,488	7,673,977	32,196,060
Capital assets, being depreciated:				
Buildings/building improvements	59,535,811	117,488	-	59,653,299
Intangibles	2,407,213	-	-	2,407,213
Improvements other than buildings	178,511,645	6,622,445	-	185,134,090
Machinery and equipment	77,935,592	1,189,650	-	79,125,243
Right-to-use leased equipment	6,627	29,909	-	36,536
Total capital assets, being depreciated	318,396,889	7,959,492	-	326,356,381
Less accumulated depreciation for:				
Buildings/buildings improvements	28,599,427	1,126,318	-	29,725,745
Intangibles	2,309,373	9,242	-	2,318,616
Improvements other than buildings	67,128,564	3,466,296	-	70,594,860
Machinery and equipment	45,377,903	4,061,468	280,898	49,158,474
Right-to-use leased equipment	-	3,090	-	3,090
Total accumulated depreciation	143,415,268	8,666,414	280,898	151,800,784
Total capital assets, being depreciated, net	174,981,621	(706,922)	(280,898)	174,555,597
Business-type activities Capital assets, net	\$ 198,935,169	\$ 15,209,566	\$ 7,393,079	206,751,657

Depreciation expense was charged to the functions/programs of the business-type activities as follows:

Business-type activities:	
Water	\$ 2,771,144
Wastewater	4,407,173
Stormwater	268,469
Golf	154,922
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,061,616
Total depreciation expense - Business-type activities	\$ 8,663,324

6. Construction Commitments

The City has active construction projects and future construction projects which are in design phase as of December 31, 2022. The projects include:

Project	Spent to Date	Remaining Commitment
Ostrich Creek Culvert Replacements	636,197	10,107
Pine Road Basin Improvements	622,808	9,374
Water Res SCADA Upgrade	127,862	97,138
Pump Station 14 Relocation	348,629	65,368
OB-1 to OB-2 Beach Sewer	718,433	3,985
Oyster Bay Beach Sewer Upgrades	715,914	6,505
Quincy Square on 4th Street	518,970	145,050
E 11th St - Pitt to Perry	323,632	77,245
HSIP Phase III	500,299	7,145
Washington & 11th Roundabout	725,102	198,011
WWTP Salinity Study	188,086	43,814
Oyster Bay North Lot	43,074	32,582
DNR Beach Sewer Mtigation	24,938	54
Kitsap Lake Park Renovations	155,959	39,390
	\$ 5,649,904	\$ 735,767

7. Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (3,065,421)
Pension assets	\$ 19,548,101
Deferred outflows of resources	\$ 11,065,645
Deferred inflows of resources	\$ (10,055,742)
Pension expense/expenditures	\$ 1,090,340

State Sponsored Pension Plans

Substantially all 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 financial report 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 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - August 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative 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 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January - August 2022:		
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 2022:		
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 \$732,139 to PERS Plan 1 and \$1,214,637 to PERS Plan 2/3 for the year ended December 31, 2022.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2022 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January - August 2022:		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%
September - December 2022:		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.63%	6.60%

The City’s actual PSERS plan contributions were \$8,383 to PSERS Plan for the year ended December 31, 2022.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, if the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also

actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% as of July 1, 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January - December 2022:		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The City’s actual LEOFF 2 plan contributions were \$740,405 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$6,068,395.

Actuarial Assumptions

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

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

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

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

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the 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 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	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

Sensitivity of Net Pension Liability/(Asset)

The table below presents the city’s proportionate share of the net pension liability calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
PERS 1	\$ 4,095,360	\$ 3,065,421	\$ 2,166,526
PERS 2/3	\$ 6,032,145	\$ (5,122,272)	\$ (14,286,330)
PSERS 2	\$ 31,002	\$ (13,016)	\$ (47,755)
LEOFF 1	\$ (4,420,940)	\$ (5,044,800)	\$ (5,585,783)
LEOFF 2	\$ (431,387)	\$ (9,368,014)	\$ (16,681,878)

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 a net pension liability of \$3,065,421 and a net pension asset of \$19,548,102 for its proportionate share of the net pension liabilities (or assets) as follows:

Plan	Liability (or Asset)
PERS 1	\$ (3,065,421)
PERS 2/3	\$ 5,122,272
PSERS 2	\$ 13,016
LEOFF 1	\$ 5,044,800
LEOFF 2	\$ 9,368,014

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the city as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the city were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (5,044,800)	\$ (9,368,014)
State's proportionate share of the net pension asset associated with the employer	\$ (34,122,903)	\$ (6,068,395)
TOTAL	\$ (39,167,703)	\$ (15,436,409)

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	0.116303%	0.110094%	-0.00621%
PERS 2/3	0.143103%	0.138112%	-0.00499%
PSERS 2	0.030176%	0.018204%	-0.01197%
LEOFF 1	0.177714%	0.175862%	-0.00185%
LEOFF 2	0.355035%	0.344704%	-0.01033%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2022, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions, and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

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

	Pension Expense
PERS 1	\$ 1,251,497
PERS 2/3	\$ (1,621,732)
PSERS	\$ 4,204
LEOFF 1	\$ (187,352)
LEOFF 2	\$ 1,643,723
TOTAL	\$ 1,090,340

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (508,030)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 378,824	\$ -
TOTAL	378,824	(508,030)

PERS 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,269,179	\$ (115,955)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (3,786,933)
Changes of assumptions	\$ 2,854,959	\$ (747,531)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 272,285	\$ (91,277)
Contributions subsequent to the measurement date	\$ 624,979	\$ -
TOTAL	5,021,402	(4,741,696)

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,762	\$ (143)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (9,128)
Changes of assumptions	\$ 9,555	\$ (3,818)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 8,232	\$ (1,308)
Contributions subsequent to the measurement date	\$ 4,881	\$ -
TOTAL	29,430	(14,397)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (629,913)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	-	(629,913)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,225,995	\$ (86,919)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (3,136,770)
Changes of assumptions	\$ 2,373,183	\$ (815,698)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 634,213	\$ (122,319)
Contributions subsequent to the measurement date	\$ 402,598	\$ -
TOTAL	5,635,989	(4,161,706)

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

Year ended December 31:	<i>PERS 1</i>
2023	\$ (214,988)
2024	\$ (195,265)
2025	\$ (244,954)
2026	\$ 147,176
2027	
Thereafter	\$ -
Total	\$ (508,031)

Year ended December 31:	<i>PERS 2/3</i>
2023	\$ (1,111,156)
2024	\$ (967,186)
2025	\$ (1,221,475)
2026	\$ 1,733,359
2027	\$ 612,389
Thereafter	\$ 608,797
Total	\$ (345,272)

Year ended December 31:	<i>PSERS</i>
2023	\$ (2,277)
2024	\$ (1,897)
2025	\$ (2,669)
2026	\$ 5,111
2027	\$ 1,849
Thereafter	\$ 10,036
Total	\$ 10,153

Year ended December 31:	<i>LEOFF 1</i>
2023	\$ (266,787)
2024	\$ (241,559)
2025	\$ (302,040)
2026	\$ 180,473
Thereafter	\$ -
Total	\$ (629,913)

Year ended December 31:	<i>LEOFF 2</i>
2023	\$ (921,811)
2024	\$ (790,618)
2025	\$ (1,073,140)
2026	\$ 1,416,384
2027	\$ 444,346
Thereafter	\$ 1,996,524
Total	\$ 1,071,685

8. Long-term Debt

A. Long Term Debt

The City issues general obligation and revenue bonds to finance the purchase or construction of capital assets. Bonded indebtedness has also been entered into in prior years to advance refund G.O. bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are repaid with proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2022
2010 UTGO Refunding	12/1/2030	3.4191%	3,825,000
2015 UTGO Fire Bonds	12/31/2025	2.89%	1,390,000
2012 LTGO Refunding - Govt Center	7/1/2034	2.7954%	3,255,000
2013 LTGOA Refunding - Conf Ctr Pkg	12/1/2036	3.0082%	6,225,000
2013 LTGOB Refunding - Golf Course	12/1/2028	3.0082%	2,295,000
2019 LTGO Refunding	9/1/2035	1.65%	5,465,000
Total General Obligation Bonds and Notes			\$ 22,455,000

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

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2023	2,160,000	636,411	350,000	83,590
2024	2,235,000	565,154	360,000	72,915
2025	2,315,000	491,214	375,000	60,315
2026	1,885,000	413,582	385,000	47,190
2027-2031	6,595,000	1,321,302	825,000	48,555
2032-2036	4,970,000	428,700	-	-
Total	\$ 20,160,000	\$ 3,856,362	\$ 2,295,000	\$ 312,565

The revenue bonds and loans outstanding as of December 31, 2022 were as follows:

	Maturity Date	Interest Rate	Outstanding 12/31/2022
W/S REF & REVENUE BOND 2014	12/1/2034	3.85	1,348,800
W/S REF & REVENUE BOND 2014	12/1/2034	3.85	3,366,200
W/S REF & REVENUE BOND 2016	12/1/2035	2.51	2,223,788
W/S REF & REVENUE BOND 2016	12/1/2035	2.51	2,264,012
W/S REF & REVENUE BOND 2016	12/1/2035	2.51	1,417,200
PWTF ANDERSON COVE BASIN 12	7/1/2023	0.50	28,849
PWTF NAVAL AVE	7/1/2023	4.00	13,158
PWTF BRENTWOOD STORM DRAIN REPAIR	7/1/2024	4.00	19,729
PWTF PACIFIC AVE BASIN CSO	7/1/2024	0.50	139,954
PWTF WWTP UPGRADE	7/1/2025	0.50	32,017
PWTF ANDERSON COVE SEW PS CW 1	7/1/2027	0.50	177,632
PWTF WWTP UPGRADES	7/1/2027	0.50	814,802
PWTF OSTRICH CREEK CULVERT IMP	6/1/2038	1.66	3,886,487
PWTF PINE BASE WATERSHED STORM IMP	6/1/2038	1.66	640,181
DWSRF CASAD DAM VALVE REPL	10/1/2023	1.50	4,401
DWSRF ANDERSON CREEK	10/1/2024	1.50	10,763
DWSRF PUMP STATION 4 UPGRADE	10/1/2023	1.50	57,612
DWSRF RESERVOIR SEISMIC UPGRADES	10/1/2024	1.50	56,597
DWSRF SEISMIC VALVE FLOW CONTROL	12/1/2036	1.00	616,891
DWSRF RESERVOIR 4 COVER	10/1/2024	1.50	1,069,345
CWSRF DECOM BEACH SEWER FR OF-4 TO EB-2	12/31/2042	2.00	311,709
CWSRF OYSTER BAY BEACH SEWER OB-2 TO OB-1	12/31/2042	1.50	6,629,415
WPCRF TRENTON/CHERRY	10/15/2024	1.50	119,485
WPCRF ANDERSON COVE BASIN 12	9/17/2026	1.50	68,400
WPCRF TRENTON PUMP STATION	10/15/2024	1.50	119,407
WPCRF TRACYTON BEACH CSO	2/9/2025	1.50	86,566
WPCRF PACIFIC AVE CSO RED - SEP	6/30/2024	1.50	79,903
WPCRF PACIFIC AVE CSO REDUCTION	12/31/2027	1.50	318,717
WPCRF CHERRY/TRENTON CSO RED -F	12/31/2026	1.50	252,860
WPCRF WWTP UPGRADE	1/1/2029	2.60	255,732
WPCRF GORST SEWERAGE CONSTR	12/31/2030	1.40	266,882
WPCRF GORST SEWERAGE CONSTR	10/17/2032	1.40	29,291
WPCRF GORST SEPTIC SYSTEM DES	12/31/2030	2.90	54,811
WPCRF GORST SEWERAGE DESIGN	12/31/2030	1.40	257,100
Total Revenue Bonds and Loans			<u>\$ 27,038,698</u>

Revenue bond and loan debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2023	-	-	\$ 2,338,775	\$ 663,953
2024	-	-	2,266,234	631,031
2025	-	-	2,039,435	581,083
2026	-	-	2,045,508	533,255
2027	-	-	2,014,392	484,483
2028-2032	-	-	8,478,519	1,691,557
2033-2037	-	-	5,837,680	521,808
2038-2042	-	-	2,018,155	91,113
Total	\$ -	\$ -	\$ 27,038,698	\$ 5,198,284

In proprietary funds bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the discount.

At December 31, 2022, the City has \$440,865 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$935,937 in sinking funds and reserves as required by bond indentures.

B. Refunded Debt

In prior years, the City defeased certain general obligation bonds by placing the proceeds of 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 there were no defeased bonds outstanding.

9. Leases

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

A. Lessees

On January 1, 2022, City of Bremerton had a 146-month lease as Lessee for the use of a building (Harborside Third Floor). An initial lease liability was recorded in the amount of \$1,272,258. As of December 31, 2022, the value of the lease liability is \$1,180,239. City of Bremerton is required to make variable monthly fixed payments of \$8,859 through February 2024 (26 months), \$9,302 March 2024 through February 2029 (60-months) and \$9,767 March 2029 through February 2034 (60-months). The lease has an interest rate of 1.2720%. The value of the right to use asset as of December 31, 2022 of \$1,167,690 with accumulated amortization of \$104,568 is included with Building on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 115-month lease as Lessee for the use of a copier (Pacific Office Automation – Court). An initial lease liability was recorded in the amount of \$2,980. As of December 31, 2022, the value of the lease liability is \$1,610. City of Bremerton is required to make monthly fixed payments of \$115. The lease has an interest rate of 0.3300%. The value of the right to use asset as of December 31, 2022 of \$1,605 with accumulated amortization of \$1,375 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 54-month lease as Lessee for the use of a postage meter (Pitney Bowes - Finance). An initial lease liability was recorded in the amount of \$29,415. As of December 31, 2022, the value of the lease liability is \$22,903. City of Bremerton is required to make quarterly fixed payments of \$1649. The lease has an interest rate of 0.4260%. The value of the right to use asset as of December 31, 2022 of \$22,879 with accumulated amortization of \$6,536 is included with Equipment on the Lease Class activities table found below.

On December 1, 2022, City of Bremerton had a 60-month lease as Lessee for the use of copiers (Pacific Office Automation – Public Works). An initial lease liability was recorded in the amount of \$49,737. As of December 31, 2022, the value of the lease liability is \$48,839. City of Bremerton is required to make monthly fixed payments of \$898. The lease has an interest rate of 3.3050%. The value of the right to use asset as of December 31, 2022 of \$48,908, with accumulated amortization of \$829 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 54-month lease as Lessee for the use of a copier (Ricoh USA Inc – Police). An initial lease liability was recorded in the amount of \$9,549. As of December 31, 2022, the value of the lease liability is \$7,445. City of Bremerton is required to make monthly fixed payments of \$179. The lease has an interest rate of 0.5520%. The value of the right to use asset as of December 31, 2022 of \$7,425 with accumulated amortization of \$2,124 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 29-month lease as Lessee for the use of a copier (De Lage Landen – Police). An initial lease liability was recorded in the amount of \$6,644. As of December 31, 2022, the value of the lease liability is \$3,900. City of Bremerton is required to make monthly fixed payments of \$230. The lease has an interest rate of 0.3300%. The value of the right to use asset as of December 31, 2022 of \$3,896 with accumulated amortization of \$2,748 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 56-month lease as Lessee for the use of a copier (Ricoh USA Inc – Fire). An initial lease liability was recorded in the amount of \$16,098. As of December 31, 2022, the value of the lease liability is \$12,685. City of Bremerton is required to make monthly fixed payments of \$292. The lease has an interest rate of 0.6860%. The value of the right to use asset as of December 31, 2022 of \$12,654 with accumulated amortization of \$3,444 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 53-month lease as Lessee for the use of a copier (Ricoh USA Inc – Parks). An initial lease liability was recorded in the amount of \$9,532. As of December 31, 2022, the value of the lease liability is \$7,391. City of Bremerton is required to make monthly fixed payments of \$182. The lease has an interest rate of 0.5520%. The value of the right to use asset as of December 31, 2022 of \$7,372 with accumulated amortization of \$2,160 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 36-month lease as Lessee for the use of a copier (Iparq – Parking). An initial lease liability was recorded in the amount of \$17,889. As of December 31, 2022, the value of the lease liability is \$11,947. City of Bremerton is required to make monthly fixed payments of \$500. The lease has an interest rate of 0.4260%. The value of the right to use asset as of December 31, 2022 of \$11,925 with accumulated amortization of \$5,964 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 36-month lease as Lessee for the use of a postage meter (Pitney Bowes – Public Works). An initial lease liability was recorded in the amount of \$2,004. As of December 31, 2022, the value of the lease liability is \$1,338. City of Bremerton is required to make quarterly fixed payments of \$167. The lease has an interest rate of 0.4260%. The value of the right to use asset as of December 31, 2022 of \$1,336 with accumulated amortization of \$668 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 29-month lease as Lessee for the use of a copier (Sharp Electronic – Public Works). An initial lease liability was recorded in the amount of \$4,622. As of December 31, 2022, the value of the lease liability is \$2,713. City of Bremerton is required to make monthly fixed payments of \$160. The lease has an interest rate of 0.3300%. The value of the right to use asset as of December 31, 2022 of \$2,714 with accumulated amortization of \$1,908 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 13-month lease as Lessee for the use of a copier (Pacific Office Automation – Information Technology). An initial lease liability was recorded in the amount of \$2,701. As of December 31, 2022, the value of the lease liability is \$205. City of Bremerton is required to make monthly fixed payments of \$208. The lease has an interest rate of 0.2380%. The value of the right to use asset as of December 31, 2022 of \$205 with accumulated amortization of \$2,496 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 18-month lease as Lessee for the use of a copier (Pacific Office Automation – Finance). An initial lease liability was recorded in the amount of \$3,504. As of December 31, 2022, the value of the lease liability is \$1,169. City of Bremerton is required to make monthly fixed payments of \$195. The lease has an interest rate of 0.2380%. The value of the right to use asset as of December 31, 2022 of \$1,164 with accumulated amortization of \$2,340 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 26-month lease as Lessee for the use of a copier (Pacific Office Automation – Engineering). An initial lease liability was recorded in the amount of \$9,147. As of December 31, 2022, the value of the lease liability is \$4,932. City of Bremerton is required to make monthly fixed payments of \$353. The lease has an interest rate of 0.3300%. The value of the right to use asset as of December 31, 2022 of \$4,923 with accumulated amortization of \$4,224 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 48-month lease as Lessee for the use of a copier (Pacific Office Automation – BKAT). An initial lease liability was recorded in the amount of \$1,994. As of December 31, 2022, the value of the lease liability is \$1,501. City of Bremerton is required to make monthly fixed payments of \$42. The lease has an interest rate of 0.5520%. The value of the right to use asset as of December 31, 2022 of \$1,490 with accumulated amortization of \$504 is included with Equipment on the Lease Class activities table found below.

On January 1, 2022, City of Bremerton had a 53-month lease as Lessee for the use of a copier (Pacific Office Automation – Legal). An initial lease liability was recorded in the amount of \$9,165. As of December 31, 2022, the value of the lease liability is \$7,107. City of Bremerton is required to make monthly fixed payments of \$175. The lease has an interest rate of 0.5520%. The value of the right to use asset as of December 31, 2022 of \$7,089 with accumulated amortization of \$2,076 is included with Equipment on the Lease Class activities table found below.

Leased assets activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Leased assets:				
Buildings	\$ 1,272,258	\$ -	\$ -	\$ 1,272,258
Machinery	89,203	49,243	-	138,446
Total lease assets	\$ 1,361,461	\$ 49,243	\$ -	\$ 1,410,704
Less accumulated amortization for:				
Buildings	\$ -	\$ (104,568)	\$ -	\$ (104,568)
Machinery	-	(36,321)	-	(36,321)
Total accumulated amortization	\$ -	\$ (140,889)	\$ -	\$ (140,889)
Governmental activities leased assets, net	\$ 1,361,461	\$ (91,646)	\$ -	\$ 1,269,815

Business-type Activities	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Leased assets:				
Machinery	\$ 6,627	\$ 29,909	\$ -	\$ 36,536
Total lease assets	\$ 6,627	\$ 29,909	\$ -	\$ 36,536
Less accumulated amortization for:				
Machinery	-	(3,090)	-	(3,090)
Total accumulated amortization	\$ -	\$ (3,090)	\$ -	\$ (3,090)
Business-type activities leased assets, net	\$ 6,627	\$ 26,819	\$ -	\$ 33,446

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments	Principal Payments	Interest Payments	Total Payments
2023	127,987	15,403	143,390	8,178	894	9,072
2024	126,213	13,942	140,155	7,378	699	8,077
2025	120,501	12,455	132,956	5,975	505	6,480
2026	113,445	10,965	124,410	6,174	306	6,480
2027	794,358	37,448	831,806	5,716	98	5,814
TOTAL	1,282,504	90,213	1,372,717	33,421	2,502	35,923

B. Lessors

On January 1, 2022, City of Bremerton had a 60-month lease as Lessor for the use of land (Claremont East Retirement - Parking). An initial lease receivable was recorded in the amount of \$27,907. As of December 31, 2022 the value of the lease receivable is \$22,384. The lessee is required to make monthly fixed payments of \$473. The lease has an interest rate of 0.686%. The value of the deferred inflow of resources as of December 31, 2022 was \$22,327 and City of Bremerton recognized lease revenue of \$5,580 during the fiscal year.

On January 1, 2022, City of Bremerton had a 102-month lease as Lessor for the use of land (Iglesia Pentacostal - Forest Ridge Park Tower). An initial lease receivable was recorded in the amount of \$98,496. As of December 31, 2022 the value of the lease receivable is \$87,386. The lessee is required to make monthly fixed payments of \$1,021. The lease has an interest rate of 1.338%. The value of the deferred inflow of resources as of December 31, 2022 was \$86,904 and City of Bremerton recognized lease revenue of \$11,592 during the fiscal year. The agreement has one remaining option of a 5-year lease extension that is reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 65-month lease as Lessor for the use of land (Bremerton Seefilm Cinema - Parking). An initial lease receivable was recorded in the amount of \$184,674. As of December 31, 2022 the value of the lease receivable is \$151,250. The lessee is required to make monthly fixed payments of \$2,924. The lease has an interest rate of 1.084%. The value of the deferred inflow of resources as of December 31, 2022 was \$150,582 and City of Bremerton recognized lease revenue of \$34,092 during the fiscal year. The agreement has two options of 3-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 266-month lease as Lessor for the use of land (Vertical Bridge Holdings – Tower). An initial lease receivable was recorded in the amount of \$425,526. As of December 31, 2022 the value of the lease receivable is \$408,890. The lessee is required to make monthly fixed payments of \$1,903. The lease has an interest rate of 1.622%. The value of the deferred inflow of resources as of December 31, 2022 was \$406,326 and City of Bremerton recognized lease revenue of \$19,200 during the fiscal year. The agreement has four options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 120-month lease as Lessor for the use of land (Alexander Cart Rentals Inc - Cart Pad). An initial lease receivable was recorded in the amount of \$138,788. As of December 31, 2022 the value of the lease receivable is \$125,518. The lessee is required to make monthly fixed payments of \$1,227. The lease has an interest rate of 1.205%. The value of the deferred inflow of resources as of December 31, 2022 was \$124,904 and City of Bremerton recognized lease revenue of \$13,884 during the fiscal year. The agreement is automatically renewed annually unless terminated by either party. The City determined the agreement is reasonably certain for a 10-year period.

On January 1, 2022, City of Bremerton had a 216-month lease as Lessor for the use of land (American Tower - Gold Mountain Tower). An initial lease receivable was recorded in the amount of \$1,836,652. As of December 31, 2022 the value of the lease receivable is \$1,744,789. The lessee is required to make monthly fixed payments of \$9,680. The lease has an interest rate of 1.481%. The value of the deferred inflow of resources as of December 31, 2022 was \$1,734,616 and City of Bremerton recognized lease revenue of \$102,036 during the fiscal year. The agreement has four options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 114-month lease as Lessor for the use of land (CCATT Holdings - Kitsap Lake Tower). An initial lease receivable was recorded in the amount of \$191,730. As of December 31, 2022 the value of the lease receivable is \$172,393. The lessee is required to make monthly fixed payments of \$1,779. The lease has an interest rate of 1.205%. The value of the deferred inflow of resources as of December 31, 2022 was \$171,546 and City of Bremerton recognized lease revenue of \$20,184 during the fiscal year. The agreement has one remaining option of a 5-year lease extension that is reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 145-month lease as Lessor for the use of land (Crown Castle - Anderson Creek Tower). An initial lease receivable was recorded in the amount of \$123,321. As of December 31, 2022 the value of the lease receivable is \$113,698. The lessee is required to make monthly fixed payments of \$917. The lease has an interest rate of 1.272%. The value of the deferred inflow of resources as of December 31, 2022 was \$113,121 and City of Bremerton recognized lease revenue of \$10,200 during the fiscal year. The agreement has two options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 145-month lease as Lessor for the use of land (Crown Castle - Gold Mountain Tower). An initial lease receivable was recorded in the amount of \$549,094. As of December 31, 2022 the value of the lease receivable is \$506,248. The lessee is required to make monthly fixed payments of \$4,083. The lease has an interest rate of 1.272%. The value of the deferred inflow of resources as of December 31, 2022 was \$503,650 and City of Bremerton

recognized lease revenue of \$45,444 during the fiscal year. The agreement has two options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 145-month lease as Lessor for the use of land (Crown Castle - Gold Mountain Tower). An initial lease receivable was recorded in the amount of \$301,780. As of December 31, 2022 the value of the lease receivable is \$278,230. The lessee is required to make monthly fixed payments of \$2,244. The lease has an interest rate of 1.272%. The value of the deferred inflow of resources as of December 31, 2022 was \$276,808 and City of Bremerton recognized lease revenue of \$24,972 during the fiscal year. The agreement has two options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 195-month lease as Lessor for the use of land (SBA 2012 TC Assets - Olympus Tower). An initial lease receivable was recorded in the amount of \$413,361. As of December 31, 2022 the value of the lease receivable is \$390,103. The lessee is required to make monthly fixed payments of \$2,370. The lease has an interest rate of 1.408%. The value of the deferred inflow of resources as of December 31, 2022 was \$387,921 and City of Bremerton recognized lease revenue of \$25,440 during the fiscal year. The agreement has three options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 182-month lease as Lessor for the use of land (Verizon Wireless - Alexander Lake Tower). An initial lease receivable was recorded in the amount of \$367,350. As of December 31, 2022 the value of the lease receivable is \$345,197. The lessee is required to make monthly fixed payments of \$2,259. The lease has an interest rate of 1.518%. The value of the deferred inflow of resources as of December 31, 2022 was \$343,122 and City of Bremerton recognized lease revenue of \$24,228 during the fiscal year. The agreement has three options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 208-month lease as Lessor for the use of land (D & D Robinson - Anderson Creek Staging Area). An initial lease receivable was recorded in the amount of \$73,666. As of December 31, 2022 the value of the lease receivable is \$69,814. The lessee is required to make monthly fixed payments of \$400. The lease has an interest rate of 1.442%. The value of the deferred inflow of resources as of December 31, 2022 was \$69,418 and City of Bremerton recognized lease revenue of \$4,248 during the fiscal year. The agreement has three options of 5-year lease extensions that are reasonably certain to be exercised and included in the amounts above.

On January 1, 2022, City of Bremerton had a 132-month lease as Lessor for the use of building (Wilwyn Properties). An initial lease receivable was recorded in the amount of \$26,537. As of December 31, 2022 the value of the lease receivable is \$24,247. The lessee is required to make monthly fixed payments of \$215. The lease has an interest rate of 1.245%. The value of the deferred inflow of resources as of December 31, 2022 was \$24,125 and City of Bremerton recognized lease revenue of \$2,412 during the fiscal year. The agreement has one remaining option of a 10-year lease extension that is reasonably certain to be exercised and included in the amounts above.

Deferred inflow of resources activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Beginning			Ending
	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022
Land				
Claremont East Retirement - Parking	\$ 27,907	\$ -	\$ 5,580	\$ 22,327
Iglesia Pentacostal - Forest Ridge Park Tower	98,496	-	11,592	86,904
Bremerton Seefilm Cinema - Parking	184,674	-	34,092	150,582
Vertical Bridge Holdings - Tower	425,526	-	19,200	406,326
Total Land Deferred Inflow of Resources	\$ 736,603	\$ -	\$ 70,464	\$ 666,139
Total Deferred Inflow of Resources for Leases	\$ 736,603	\$ -	\$ 70,464	\$ 666,139

Business-type Activities	Beginning			Ending
	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022
Land				
Alexander Cart Rentals Inc - Cart Pad	138,788	-	13,884	124,904
American Tower - Gold Mountain Tower	1,836,652	-	102,036	1,734,616
CCATT Holdings - Kitsap Lake Tower	191,730	-	20,184	171,546
Crown Castle - Anderson Creek Tower	123,321	-	10,200	113,121
Crown Castle - Gold Mountain Tower	549,094	-	45,444	503,650
Crown Castle - Gold Mountain Tower	301,780	-	24,972	276,808
SBA 2012 TC Assets - Olympus Tower	413,361	-	25,440	387,921
Verizon Wireless - Alexander Lake Tower	367,350	-	24,228	343,122
D & D Robinson - Anderson Creek Staging Area	73,666	-	4,248	69,418
Total Land Deferred Inflow of Resources	\$ 3,995,742	\$ -	\$ 270,636	\$ 3,725,106
Buildings				
Wilwyn Properties	\$ 26,537		\$ 2,412	\$ 24,125
Total Building Deferred Inflow of Resources	\$ 26,537	\$ -	\$ 2,412	\$ 24,125
Total Deferred Inflow of Resources for Leases	\$ 4,022,279	\$ -	\$ 273,048	\$ 3,749,231

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments	Principal Payments	Interest Payments	Total Payments
2023	66,634	9,218	75,852	250,770	51,318	302,088
2024	67,448	8,404	75,852	254,240	47,848	302,088
2025	68,285	7,567	75,852	257,760	44,328	302,088
2026	69,121	6,726	75,847	261,325	40,763	302,088
2027	43,759	5,944	49,703	264,945	37,143	302,088
2028-2032	121,559	23,252	144,811	1,333,700	129,992	1,463,692
2033-2037	99,176	15,004	114,180	905,303	48,633	953,936
2038-2042	107,547	6,633	114,180	242,194	3,626	245,820
2043-2044	26,381	269	26,650	-	-	-
TOTAL	669,910	83,017	752,927	3,770,237	403,651	4,173,888

10. Changes in Long Term Liabilities

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

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 22,225,000	\$ -	\$ 2,065,000	\$ 20,160,000	\$ 2,160,000
Add unamortized premiums	608,114	-	83,551	524,563	-
Total bonds payable:	\$ 22,833,114	\$ -	\$ 2,148,551	\$ 20,684,563	\$ 2,160,000
Claims and judgments	\$ 1,852,866	\$ -	\$ 162,278	\$ 1,690,588	\$ 338,118
Compensated absences	3,114,658	347,612	-	3,462,270	1,384,908
Leases	-	1,410,704	128,200	1,282,504	127,987
Other Post Employment Benefits	43,430,434	-	10,930,977	32,499,457	1,624,973
Net Pension Liability	617,560	715,898	-	1,333,458	-
Governmental activity long-term liabilities:	<u>\$ 71,848,632</u>	<u>\$ 2,474,214</u>	<u>\$ 13,370,006</u>	<u>\$ 60,952,840</u>	<u>\$ 5,635,986</u>
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 2,635,000	\$ -	\$ 340,000	\$ 2,295,000	\$ 350,000
Revenue bonds	11,275,000	-	655,000	10,620,000	675,000
Add unamortized premiums	1,092,665	-	80,520	1,012,145	-
Total bonds payable:	\$ 15,002,665	\$ -	\$ 1,075,520	\$ 13,927,145	\$ 1,025,000
Intergovernmental loans	\$ 9,018,908	\$ 8,790,417	\$ 1,390,627	\$ 16,418,698	\$ 1,663,774
Compensated Absences	582,563	18,519	-	601,082	240,433
Leases	-	36,536	3,115	33,421	8,178
Net Pension Liability	802,771	929,192	-	1,731,963	-
Business-type activity long-term liabilities:	<u>\$ 25,406,907</u>	<u>\$ 9,774,664</u>	<u>\$ 2,469,261</u>	<u>\$ 32,712,310</u>	<u>\$ 2,937,385</u>

The Risk Management, Equipment Maintenance and Information Technology internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, compensated absences are generally liquidated by the Accrued leave liability internal service fund and claims and judgments by the Risk Management internal service fund.

11. Risk Management

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

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

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

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. The City's deductible's are as follows; property \$50,000, auto \$5,000, equipment breakdown \$10,000, pollution \$100,000, Crime/Fidelity \$10,000 and Cyber \$100,000 deductible. 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.

The City is self-insured for workers compensation. The City has two excess insurance policies for workers compensation excluding police & fire through Midwest Employers Casualty Company with self-insured retention limits of \$500,000 and \$1,000,000 respectively.

The City is self-insured for unemployment.

12. Contingencies and Litigation

As of December 31, 2022, there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City's legal counsel, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City.

As discussed in Note 8, Long-Term Debt, the City is contingently liable for repayment of refunded debt.

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

13. Restricted Net Position

The government-wide statement of net position reports \$33,851,137 of restricted net position, all of which is restricted by enabling legislation and external contractual commitments.

14. Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at December 31, 2022, were as follows:

		Due From							
Due To		General Fund	Transportation Capital	Other Govt	Water	Wastewater	Stormwater	Internal Service	Total
	General Fund	\$ -	\$ 109,687	\$ 287,238	\$ 159,462	\$ 50,293	\$ 60,309	\$ 236,922	\$ 903,911
Transportation Capital	-	-	5,331	-	-	-	-	5,331	
Other Governmental	247,316	490,589	9,755	5,887	-	-	30,501	784,048	
Water	166,440	15,373	23,226	-	122,317	-	22,551	349,907	
Golf	-	-	-	-	-	-	8	8	
Wastewater	122,111	-	251	11	-	69,977	13,667	206,017	
Stormwater	75,784	(1,448)	-	-	3,338,342	-	7,785	3,420,463	
Internal Service	131,638	-	42	-	-	-	8,296	139,976	
Total	\$ 743,289	\$ 614,201	\$ 325,843	\$ 165,360	\$ 3,510,952	\$ 130,286	\$ 319,730	\$ 5,809,661	

Interfund balances at year end were a result of outstanding interfund loans as well as amounts due for services provided between funds. Amounts due for services will be liquidated early in 2022. Interfund loans are approved by City Council Resolution and include a repayment date. The City had only one interfund loan outstanding at year end which is included in the interfund balances in the above schedule.

Loaned From	Purpose	Yr of final Payment	Loaned To	
			General Fund	Total
Internal service	Conference Ctr Exp	2034	209,331	209,331
		Total	\$ 209,331	\$ 209,331

B. Interfund Transfers

Interfund transfers at December 31, 2022 were as follows:

Transfer To	Transfer From						
	General Fund	Transportation Capital	Other Govt	Water	Stormwater	Total	
General Fund	\$ -	\$ 355,354	\$ 1,264,518	\$ 30,000	\$ 75,000	\$ 1,724,872	
Transportation Capital	-	-	250,000	-	-	250,000	
Other governmental funds	345,054	484,822	541,047	-	-	1,370,923	
Internal Service	104,140	-	-	-	-	104,140	
Total	\$ 449,194	\$ 840,176	\$ 2,055,565	\$ 30,000	\$ 75,000	\$ 3,449,935	

Interfund transfers are the flow of assets without equivalent flows of assets in return and without a requirement for repayment. Generally, funds flow between funds with tax or other resources to funds for payment of debt service, capital construction or in support of operations. This category also includes payment in lieu of taxes levied by the General fund on city utility funds that are not payments for, and are not reasonably equivalent in value to, services provided.

There were no significant transfers in 2022.

15. Receivable and Payable Balances

A. Receivables

Accounts Receivable at December 31, 2022 were as follows:

	Accounts	Taxes	Notes Contracts	Interest	Leases	Total
Governmental Activities:						
General Fund	\$ 3,534,999	\$ 3,284,198	\$ 10,155	\$ -	\$ 109,770	\$ 6,939,122
Transportation Capital Fund	-	44,253	-	-	-	44,253
Non-major governmental funds	279,051	398,675	401,967	-	560,140	1,639,833
Reconciliation of balances in fund financial statements to government-wide financial statements	216,067	-	-	101,769	-	317,836
Total governmental activities	\$ 4,030,117	\$ 3,727,126	\$ 412,122	\$ 101,769	\$ 669,910	\$ 8,941,044
Business-Type Activities:						
Water	\$ 1,567,700	\$ -	\$ 8,913	\$ 37,077	\$ 3,644,719	\$ 5,258,409
Golf	64,590	-	-	5,764	125,518	195,872
Wastewater	2,162,103	-	-	19,108	-	2,181,211
Stormwater	806,208	-	-	18,827	-	825,035
Reconciliation of balances in fund financial statements to government-wide financial statements	-	-	-	13,035	-	13,035
Total business-type activities	\$ 4,600,601	\$ -	\$ 8,913	\$ 93,811	\$ 3,770,237	\$ 8,473,562

B. Payables

Accounts payable, performance bonds & deposits payable, and other accrued liabilities at December 31, 2022 were as follows:

	Vendors	Other Governments	Retainage	Claims/ Judgements	Bonds & Deposits	Interest	Compensated Absences	Total
Governmental Activities:								
General Fund	\$ 1,264,200	\$ 9,276	\$ -	\$ -	\$ 72,573	\$ -	\$ -	\$ 1,346,049
Transportation Capital Fund	882,934	-	35,149	-	15,000	-	-	933,083
Non-major and other funds	335,707	689	12,704	-	2,468	-	-	351,568
Reconciliation of balances in fund financial statements to government-wide financial statements	120,893	-	-	338,117	-	118,669	1,384,931	1,962,609
Total governmental activities	\$ 2,603,734	\$ 9,965	\$ 47,853	\$ 338,117	\$ 90,041	\$ 118,669	\$ 1,384,931	\$ 4,593,309
Business-Type Activities:								
Water	\$ 338,552	\$ -	\$ 23,342	\$ 18,008	\$ 143,748	\$ 167,699	\$ -	\$ 691,349
Golf	411,343	33,863	-	6,966	-	269,013	-	721,186
Wastewater	483,508	-	55,270	96,099	51,251	34,310	-	720,438
Stormwater	494,782	-	-	40,561	46,082	28,834	-	610,259
Reconciliation of balances in fund financial statements to government-wide financial statements	105,850	-	-	-	(433)	-	-	105,417
Total business-type activities	\$ 1,834,035	\$ 33,863	\$ 78,612	\$ 161,634	\$ 240,649	\$ 499,856	\$ -	\$ 2,848,648

16. Defined Benefit Other Postemployment Benefits (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 32,499,457
Deferred outflows of resources	\$ 533,777
OPEB expenses/expenditures	(\$8,715,610)

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a single employer defined benefit healthcare plan administered by the City. The eligible members are covered under LEOFF Plan 1. The members necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs.

Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Annual Financial Report.

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Total	73

Contributions

The City paid \$1,206,072 in medical benefits for plan members during the year ended December 31, 2022.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust or otherwise set aside for the exclusive benefit of the participants.

Actuarial Assumptions

The Total OPEB Liability (TOL) was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Methodology	
Actuarial Cost Method	Entry Age*
Assumptions	
Discount Rate ¹	
Beginning of measurement year	2.16%
End of measurement year	3.54%
Health Care Trend Rates ²	
Medical costs	Approximately 5.0%, varies by year
Long-term care	4.50%
Medicare Part B premiums	Approximately 5.5%, varies by year
Mortality rates (100% male population)	
Base Mortality Table	PubS.H.-2010 (Public Safety) Blended 50%/50% Healthy/Disabled
Age Setback	1 year Healthy/0 years Disabled

Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Medicare Participation Rate	100%

- (1) Source: Bond Buyer General Obligation 20-Bond Municipal Index.
- (2) For additional detail on the healthcare trend rates, please see OSA's 2021 LEOFF OPEB Actuarial Valuation Report.

The following presents the total OPEB Liability of the City calculated using the current healthcare cost trend rate of 5.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower (4.0 percent) or a 1-percent point higher (6.0 percent) than the current rate.

Sensitivity Analysis – Healthcare Trend			
	1% Decrease (4.0%)	Current (5.0%)	1% Increase (6.0%)
Total OPEB Liability	\$29,782,418	\$32,499,457	\$35,590,906

The following presents the total OPEB Liability of the City calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower (2.54 percent) or a 1-percent point higher (4.54 percent) than the current rate. A discount rate of 2.16% was used in the calculation of the Total OPEB liability, beginning. The end of year Discount Rate is being used in this analysis.

Sensitivity Analysis – Discount Rate			
	1% Decrease (2.54%)	Current (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$35,810,487	\$32,499,457	\$29,655,299

The following table presents the changes in Total OPEB Liability:

Changes in Total OPEB Liability	
Total OPEB Liability as of January 1, 2022 ¹	\$43,430,434
Interest	\$914,299
Difference between Expected and Actual Experience and Changes in Assumptions	(\$9,629,909)
Estimated Benefit Payments	(\$2,215,367)
Net Change in Total OPEB Liability	(\$10,930,977)
Total OPEB Liability at December 31, 2022	\$32,499,457

- (1) The valuation date is prior to the City's reporting date, December 31, 2022. The balances have not been rolled forward to the reporting date.

As of the beginning of the fiscal year, the City's LEOFF I member count was below 100 members. The City utilized the alternative measurement method to calculate Total OPEB Liability. A measurement date of June 30, 2022 was used in the calculation of Total OPEB Liability, and the Actuarial Measurement Date used was June 30, 2022.

For the year ended December 31, 2022, the City recognized OPEB expense of (\$8,715,610). The City reported deferred outflows of resources related to OPEB from the following sources:

LEOFF Plan 1	Deferred Outflows of Resources
City contributions subsequent to the measurement date	\$533,777
Total	\$533,777

Deferred outflows of resources of \$533,777 related to OPEB benefits resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability in the year ended December 31, 2022.

17. Segment Information

The City operates a utility system providing water, wastewater and stormwater management services to the citizens of Bremerton and a portion of Kitsap County outside city boundaries. Operations are financed by user fees imposed on customers of each utility. The City has issued revenue bonds to finance improvements to its sewer system. While the operations of each utility are accounted for in separate funds, the repayment of the revenue bonds relies on the combined revenues of all three utilities. In addition, the City operates a public golf course whose operations are funded entirely through user fees. Except for the combined utility, there are no revenue bonds issued or other revenue-backed debt outstanding for which full, detailed segment data is not provided in the proprietary fund financial statements.

The key financial data for the year ended December 31, 2022, for the combined utility operations are as follows:

Condensed Statement of Net Position

Assets and Deferred Outflows

Current assets	\$ 45,726,046
Restricted assets	935,937
Other assets	61,700
Lease receivable	3,407,233
Capital assets	193,850,297
Net pension asset	<u>1,742,597</u>
Total assets	245,723,810
Deferred outflows of resources	<u>1,929,104</u>
Total assets and deferred outflows	247,652,914

Liabilities and Deferred Inflows

Current liabilities	4,803,938
Due to other funds	3,976,387
Long-term liabilities	<u>27,829,925</u>
Total liabilities	36,610,250
Deferred inflows of resources	<u>1,901,894</u>
Total liabilities and deferred inflows	42,136,471

Net Position

Net investment in capital assets	165,766,007
Restricted for debt service	935,937
Restricted for pension	1,842,809
Unrestricted	<u>36,971,690</u>
Total net position	<u>\$ 205,516,443</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues	\$ 39,493,828
Operating Expenditures:	
Operating expenses	28,814,998
Depreciation/amortization/depletion	7,449,876
Total operating expenses	<u>36,264,874</u>
Operating income(loss)	3,228,954
Non-Operating Revenues/Expenses	
Interest revenue/expense (net)	(610,287)
Other (net)	585,236
Total non-operating revenues/expenses	<u>(25,051)</u>
Capital contributions	4,606,300
Transfers	105,000
Change in net position	7,915,203
Beginning net position	197,601,240
Ending net position	<u>\$ 205,516,443</u>

Condensed Statement of Cash Flows

Net cash provided by:	
(a) Operating activities	\$ 9,449,043
(b) Noncapital financing activities	444,305
(c) Capital and related financing activities	(5,061,632)
(d) Investing activities	(4,826,492)
Beginning cash and equivalents balance	19,789,487
Ending cash and equivalents balance	<u>\$ 19,794,711</u>

18. Tax Abatements

The City established a Multi-Family tax exemption in 2008. The program allows developers to defer property taxes on improvements to the property for either an eight or 12-year period. To get the 12-year exemption the development would require 20% of the unit's rents be at low to moderate income levels. As of December 31, 2022, the City of Bremerton had one development receiving the twelve-year exemption, 606 Apartments. Two properties, Sound West Quincy Square (B Flats) located at 252 4th Street and the Spyglass Hill Apartments located 646 Highland Avenue are receiving the eight-year exemption. The County Assessor has an assessed value of zero for these properties with deferred taxes listed as zero.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 1

As of June 30, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset) _____ %	0.110094%	0.116303%	0.116549%	0.123118%	0.119525%	0.113091%	0.118770%	0.123666%
Employer's proportionate share of the net pension liability (asset) _____ \$	3,065,421	1,420,332	4,114,809	4,734,324	5,338,027	5,366,256	6,378,508	6,468,882
Covered payroll _____ \$	18,498,752	17,529,899	8,926,017	16,639,813	15,180,306	13,566,127	13,389,026	13,311,432
Employer's proportionate share of the net pension liability as a percentage of covered payroll _____ %	16.57%	8.10%	46.10%	28.45%	35.16%	39.56%	47.64%	48.60%
Plan fiduciary net position as a percentage of the total pension liability _____ %	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3

As of June 30, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	% 0.138112%	0.143103%	0.144535%	0.147167%	0.139523%	0.131118%	0.135150%	0.142884%
Employer's proportionate share of the net pension liability (asset)	\$ (5,122,272)	(14,255,361)	1,848,520	1,429,492	2,382,231	4,555,724	6,804,696	5,105,327
Covered payroll	\$ 18,292,375	17,115,797	8,710,022	15,999,830	14,715,110	12,854,513	12,623,875	12,565,311
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% -28.00%	-83.29%	21.22%	8.93%	16.19%	35.44%	53.90%	40.63%
Plan fiduciary net position as a percentage of the total pension liability	% 106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 PSERS

As of June 30, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	% 0.018204%	0.030176%	0.034865%	0.042645%	0.048871%	0.050267%	0.040694%	0.042703%
Employer's proportionate share of the net pension liability (asset)	\$ (13,016)	(69,326)	-4,797	5,546	606	9,849	17,294	7,794
Covered payroll	\$ 134,117	204,552	109,775	196,720	191,844	177,976	131,920	126,609
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% -9.70%	-33.89%	-4.37%	2.82%	0.32%	5.53%	13.11%	6.16%
Plan fiduciary net position as a percentage of the total pension liability	% 105.96%	123.67%	101.68%	101.85%	99.79%	96.26%	90.41%	95.08%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 LEOFF 1
 As of June 30, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.175862%	0.177714%	0.178974%	0.177456%	0.179985%	0.174239%	0.175712%
Employer's proportionate share of the net pension liability	\$	\$ (5,044,800)	\$ (6,087,703)	\$ (3,379,940)	\$ (3,507,615)	\$ (2,669,093)	\$ (1,795,160)	\$ (2,117,718)
State's proportionate share of the net pension liability (asset) associated with the employer	\$	\$ (34,122,903)	\$ (41,177,074)	\$ (22,861,831)	\$ (23,725,419)	\$ (3,273,223)	\$ (1,437,670)	\$ (2,701,196)
TOTAL	\$	\$ (39,167,703)	\$ (47,264,777)	\$ (26,241,771)	\$ (27,233,034)	\$ (5,942,316)	\$ (3,232,830)	\$ (4,818,914)
Covered payroll	\$	0	0	0	0	99,976	126,465	122,729
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	0.00%	0.00%	0.00%	0.00%	(2,669.74%)	(1,419.49%)	(1,725.52%)
Plan fiduciary net position as a percentage of the total pension liability	%	169.62%	187.45%	146.88%	148.78%	135.96%	123.74%	127.36%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Proportionate Share of the Net Pension Liability
 LEOFF 2
 As of June 30, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.355035%	0.370158%	0.362908%	0.369504%	0.363627%	0.379152%	0.397479%
Employer's proportionate share of the net pension liability	\$	\$ (20,621,903)	\$ (7,550,683)	\$ (8,407,464)	\$ (7,501,737)	\$ (5,045,965)	\$ (2,205,262)	\$ (4,085,289)
State's proportionate share of the net pension liability (asset) associated with the employer	\$	\$ (13,303,378)	\$ (4,828,090)	\$ (5,505,763)	\$ (4,857,233)	\$ (3,273,223)	\$ (1,437,670)	\$ (2,701,196)
TOTAL	\$	\$ (15,436,409)	\$ (12,378,773)	\$ (13,913,227)	\$ (12,358,970)	\$ (8,319,188)	\$ (3,642,932)	\$ (6,786,485)
Covered payroll	\$	13,669,533	7,270,211	12,620,374	12,297,035	11,374,905	11,486,092	11,496,279
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	(150.86%)	(103.86%)	(66.62%)	(61.00%)	(44.36%)	(19.20%)	(35.54%)
Plan fiduciary net position as a percentage of the total pension liability	%	116.09%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Employer Contributions
 PERS 1

For the year ended December 31, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 732,139	785,978	\$ 841,619	\$ 841,708	\$ 834,881	\$ 751,960	\$ 663,672	\$ 620,110
Contributions in relation to the statutorily or contractually required contributions	\$ 732,139	785,978	\$ 841,619	\$ 841,708	\$ 834,881	\$ 751,960	\$ 663,672	\$ 620,110
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0
Covered payroll	\$ 19,331,987	17,529,899	17,201,900	16,650,360	15,660,667	14,680,139	13,155,996	12,333,775
Contributions as a percentage of covered payroll	% 3.79%	4.48%	4.89%	5.06%	5.33%	5.12%	5.04%	5.03%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Employer Contributions
 PERS 2/3
 For the year ended December 31, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 1,214,637	1,247,746	\$ 1,329,442	\$ 1,250,838	\$ 1,140,802	\$ 945,685	\$ 773,957	\$ 708,885
Contributions in relation to the statutorily or contractually required contributions	\$ 1,214,637	1,247,746	\$ 1,329,442	\$ 1,250,838	\$ 1,140,802	\$ 945,761	\$ 773,957	\$ 708,885
Contribution deficiency (excess)	\$ 0	0	0	0	0	(75)	0	0
Covered payroll	\$ 19,097,685	17,115,797	16,785,870	16,206,642	15,214,007	13,965,767	12,423,072	12,713,675
Contributions as a percentage of covered payroll	% 6.36%	7.29%	7.92%	7.72%	7.50%	6.77%	6.23%	5.58%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Employer Contributions
 PSERS

For the year ended December 31, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 9,441	10,787	\$ 15,092	\$ 14,437	\$ 13,202	\$ 12,572	\$ 10,081	\$ 8,196
Contributions in relation to the statutorily or contractually required contributions	\$ 9,441	10,787	15,092	\$ 14,437	\$ 13,202	\$ 12,572	\$ 10,081	\$ 8,196
<u>Contribution deficiency (excess)</u>	\$ 0	0	0	0	0	0	0	0
<u>Covered payroll</u>	\$ 144,487	204,552	209,611	202,306	193,520	189,011	152,968	126,758
<u>Contributions as a percentage of covered payroll</u>	% 6.53%	5.27%	7.20%	7.14%	6.82%	6.65%	6.59%	6.47%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bremerton
 Schedule of Employer Contributions
 LEOFF 2
 For the year ended December 31, 2022
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u> \$	776,563	728,948	\$ 705,691	\$ 687,283	\$ 647,179	\$ 618,727	\$ 560,851	\$ 596,403
<u>Contributions in relation to the statutorily or contractually required contributions</u> \$	776,563	728,948	\$ 705,691	\$ 687,283	\$ 647,179	\$ 618,727	\$ 560,851	\$ 596,403
<u>Contribution deficiency (excess)</u> \$	0	0	0	0	0	0	0	0
<u>Covered payroll</u> \$	15,106,164	13,669,533	13,608,686	13,048,277	12,327,220	12,049,567	11,105,960	11,809,957
<u>Contributions as a percentage of covered payroll</u> %	5.14%	5.33%	5.19%	5.27%	5.25%	5.13%	5.05%	5.05%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Bremerton
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF Plan 1
For the year ended June 30, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 43,430,434	\$ 39,253,251	\$ 35,129,396	\$ 35,765,404	\$ 37,267,252
Service cost	-	-	-	-	-
Interest	914,299	846,892	1,194,313	1,345,611	1,303,334
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience and Changes of Assumptions	(9,629,909)	5,205,215	4,959,352	27,628	(1,067,375)
Benefit payments	(2,215,367)	(1,874,924)	(2,029,810)	(2,009,247)	(1,737,807)
Other changes	-	-	-	-	-
Total OPEB liability - ending	\$ 32,499,457	\$ 43,430,434	\$ 39,253,251	\$ 35,129,396	\$ 35,765,404
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

City of Bremerton
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		
OFFICE OF LOCAL DEFENSE COMMUNITY COOPERATION, DEPT OF DEFENSE	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	-	-	111,540	111,540	-	1, 2
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	265,183	265,183	65,557	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	3,711	3,711	-	1, 2
				Total CDBG - Entitlement Grants Cluster:	268,894	268,894	65,557	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	-	-	7,879	7,879	-	1, 2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	18,035	18,035	-	1, 2
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State DOT)	Highway Planning and Construction	20.205	HSIP-000S (525)	2,409,546	-	2,409,546	-	1, 2

The accompanying notes are an integral part of this schedule.

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

Expenditures								
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State DOT)	Highway Planning and Construction	20.205	HSIP-000S (629)	52,355	-	52,355	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-6566 (013)	334,694	-	334,694	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-6566 (014)	168,329	-	168,329	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-6577 (002)	161,551	-	161,551	-	1, 2
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Puget Sound Regional Council)	Highway Planning and Construction	20.205	STPUL-9918 (017)	975	-	975	-	1, 2
Total Highway Planning and Construction Cluster:				3,127,450	-	3,127,450	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2022-HVE-4450	17,581	-	17,581	-	1, 2
Total Highway Safety Cluster:				17,581	-	17,581	-	

The accompanying notes are an integral part of this schedule.

City of Bremerton
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		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (Via AOC)	COVID 19 - Coronavirus Relief Fund	21.019	NA	2,768	-	2,768	-	1, 2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	1,326,819	1,326,819	158,284	1, 2
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	12,655	12,655	-	1, 2
Total Federal Awards Expended:				3,147,799	1,745,822	4,893,621	223,842	

The accompanying notes are an integral part of this schedule.

City of Bremerton
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's financial statements. The City uses the accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, 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 Bremerton
January 1, 2022 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 financial statement preparation were inadequate to ensure accurate and complete financial reporting.
Name, address, and telephone of City contact person: Mike Riley, Director of Financial Services 345 6th Street, Suite 100 Bremerton, WA 98337 (360) 473-5303	
Corrective action the auditee plans to take in response to the finding: <i>The City has already made corrections based on all of the audit recommendations. We will continue review and improve internal controls in regard to the preparation and review of the annual financial statements.</i>	
Anticipated date to complete the corrective action: Immediately	

Finding ref number: 2022-002	Finding caption: The City did not have adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of City contact person: Mike Riley, Director of Financial Services 345 6th Street, Suite 100 Bremerton, WA 98337 (360) 473-5303	
Corrective action the auditee plans to take in response to the finding: <i>The City will ensure every subaward agreement clearly identifies that it is a federal award and includes the applicable federal requirements for programs funded with Coronavirus State and Local Fiscal Recovery Funds and other federal funding.</i>	
Anticipated date to complete the corrective action: Immediately	

ABOUT THE STATE AUDITOR'S OFFICE

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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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