



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Normandy Park

For the period January 1, 2019 through December 31, 2022

Published January 30, 2025

Report No. 1036132



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

January 30, 2025

Council
City of Normandy Park
Normandy Park, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Normandy Park January 1, 2019 through December 31, 2022

2022-001 The City's internal controls over preparing the financial statements were inadequate for ensuring accurate reporting.

Background

State and federal agencies, the City Council and the public rely on 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 statements are reliable and accurate.

The City prepares its financial statements in accordance with the cash-basis accounting method prescribed by the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS Manual).

Our audit found deficiencies in internal controls over accounting and 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 as a finding.

Description of Condition

The City uses managerial funds to help account for individual operations. For financial reporting purposes, the BARS Manual requires the City to consolidate its managerial funds. As part of the consolidation process, the City needs to eliminate transactions such as transfers between managerial funds to avoid double counting the transactions.

During the audit, we identified a deficiency in internal controls that represents a material weakness. Specifically, when the City prepared its 2022 financial statements, staff did not ensure they eliminated transfers between managerial funds during the consolidation process.

Cause of Condition

The City's small size and limited staffing make it more challenging to perform an effective secondary review of the financial statements. The City did not devote sufficient time and resources to ensure its financial statements agreed to the underlying accounting records and followed BARS Manual guidance before submitting them for audit.

Effect of Condition

Because the City did not properly eliminate transfers between managerial funds, it overstated the fiscal year 2022 general fund transfers in and out by \$1 million. The City subsequently corrected the misstatement.

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 the BARS Manual. 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 Normandy Park would like to thank the State Auditor's Office (SAO) for the open communication and patience throughout the fiscal year 2019-2022 audit period as well as the opportunity to respond to the audit finding regarding the classification of a managerial accounting transfer. The City has experienced a significant turnover in the Finance Director's position during the audit period. There have been four Finance Directors since 2019. As such, it is difficult to identify accounting errors made by previous Finance Directors in the recording of detailed transactions when submitting the annual report.

It is important to note that the misclassification of the interfund transfer does not result in a change in the actual reported Net Increase in Cash and Investments as originally reported. We also recognize the importance and significance of making sure our financial information is accurate and will review options to strengthen the review process over the financial statements preparation. Additionally the City will seek ways to train new staff in how to properly record interfund transactions that need to be eliminated within the City's software accounting system to insure accurate reporting.

Auditor's Remarks

We thank the City for their attention to this matter and will review the condition during the 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.

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

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.9.8, Interfund Activities, requires governments that roll up or consolidate a fund (or funds) with another fund of the government (for example, the consolidation of managerial funds or activity between departments within a single fund) should redefine the interfund activity between these funds as intrafund activity and eliminate it for reporting.

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 Normandy Park January 1, 2019 through December 31, 2022

Council
City of Normandy Park
Normandy Park, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Normandy Park, as of and for the years ended December 31, 2022, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 22, 2025.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 22, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Normandy Park January 1, 2019 through December 31, 2022

Council
City of Normandy Park
Normandy Park, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Normandy Park, as of and for the years ended December 31, 2022, 2021, 2020 and 2019, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Normandy Park, and its changes in cash and investments, for the years ended December 31, 2022, 2021, 2020 and 2019, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Normandy Park, as of December 31, 2022, 2021, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

As discussed in Note 9 to the financial statements, in 2020, the City adopted new accounting guidance for presentation and disclosure of fiduciary activity, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, in 2020, the City adopted new accounting guidance for presentation and disclosure of fund balance classification, as required by the BARS manual. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

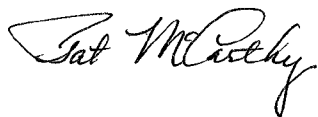
- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 22, 2025

FINANCIAL SECTION

City of Normandy Park January 1, 2019 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2022
Notes to Financial Statements – 2021
Notes to Financial Statements – 2020
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021
Schedule of Liabilities – 2020
Schedule of Liabilities – 2019

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

		Total for All Funds (Memo Only)	001 General Fund 001	101 Street Fund 101	102 ARPA Fiscal Recovery Fund 102
Beginning Cash and Investments					
308	Beginning Cash and Investments	11,543,338	6,124,521	716,035	922,648
388 / 588	Net Adjustments	(151,704)	27,490	-	-
Revenues					
310	Taxes	5,641,098	4,888,174	114,068	-
320	Licenses and Permits	532,506	511,603	20,903	-
330	Intergovernmental Revenues	1,576,034	223,492	136,329	922,647
340	Charges for Goods and Services	1,706,213	1,068,156	-	-
350	Fines and Penalties	42,858	42,858	-	-
360	Miscellaneous Revenues	276,549	190,076	17,509	-
Total Revenues:		9,775,258	6,924,359	288,809	922,647
Expenditures					
510	General Government	1,298,581	1,298,581	-	-
520	Public Safety	2,111,574	456,266	-	1,642,510
530	Utilities	620,218	80,548	-	-
540	Transportation	453,842	4,750	449,092	-
550	Natural/Economic Environment	452,202	452,202	-	-
560	Social Services	9,505	9,505	-	-
570	Culture and Recreation	640,358	640,358	-	-
Total Expenditures:		5,586,280	2,942,210	449,092	1,642,510
Excess (Deficiency) Revenues over Expenditures:		4,188,978	3,982,149	(160,283)	(719,863)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,894,094	4,169	500,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	52,732	15,702	12,969	-
Total Other Increases in Fund Resources:		1,946,826	19,871	512,969	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,825,074	41,207	694,555	-
591-593, 599	Debt Service	1,026,069	12,980	-	-
597	Transfers-Out	1,894,094	1,681,441	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	50	50	-	-
Total Other Decreases in Fund Resources:		4,745,287	1,735,678	694,555	-
Increase (Decrease) in Cash and Investments:		1,390,517	2,266,342	(341,869)	(719,863)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,028,403	6,992	374,164	202,786
50841	Committed	2,279,311	2,000,000	-	-
50851	Assigned	63,077	-	-	-
50891	Unassigned	6,411,361	6,411,361	-	-
Total Ending Cash and Investments		12,782,152	8,418,353	374,164	202,786

The accompanying notes are an integral part of this statement.

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

		130 H. Topiwala Bequest Trust Fund 130 - CI	202 LTGO Grant Anticipation Note Fund 202	203 Debt Service Fund 203	204 2013 Debt Service Fund 204
Beginning Cash and Investments					
308	Beginning Cash and Investments	150,859	8,484	4,169	1,569,005
388 / 588	Net Adjustments	(151,559)	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	700	-	-	23,954
Total Revenues:		700	-	-	23,954
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		700	-	-	23,954
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	910,165
597	Transfers-Out	-	8,484	4,169	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	8,484	4,169	910,165
Increase (Decrease) in Cash and Investments:		700	(8,484)	(4,169)	(886,211)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	682,794
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	-	-	682,794

The accompanying notes are an integral part of this statement.

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

		320 Capital Improvement Fund 320	322 Bldg Replacement Fund (Formerly	350 Capital Equipment Fund 350	402 Stormwater Fund 402
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,471,054	17,560	-	559,003
388 / 588	Net Adjustments	-	-	-	(27,635)
Revenues					
310	Taxes	638,856	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	196,064	-	-	97,502
340	Charges for Goods and Services	-	-	-	638,057
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	27,799	558	8,781	7,172
Total Revenues:		862,719	558	8,781	742,731
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	12,798	-
530	Utilities	-	-	-	539,670
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	12,798	539,670
Excess (Deficiency) Revenues over Expenditures:		862,719	558	(4,017)	203,061
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	341,584	270,000	778,341	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	11,932	5,008	-	7,121
Total Other Increases in Fund Resources:		353,516	275,008	778,341	7,121
Other Decreases in Fund Resources					
594-595	Capital Expenditures	529,624	230,049	73,055	256,584
591-593, 599	Debt Service	-	-	-	102,924
597	Transfers-Out	200,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		729,624	230,049	73,055	359,508
Increase (Decrease) in Cash and Investments:		486,611	45,517	701,269	(149,326)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,957,664	-	701,270	102,733
50841	Committed	-	-	-	279,311
50851	Assigned	-	63,077	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,957,664	63,077	701,270	382,044

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 General Fund 001	101 Street Fund 101	102 ARPA Fiscal Recovery Fund 102
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,598,833	4,474,101	884,877	-
388 / 588	Net Adjustments	-	14,271	-	-
Revenues					
310	Taxes	5,496,443	4,715,859	116,662	-
320	Licenses and Permits	512,086	488,031	24,055	-
330	Intergovernmental Revenues	2,300,781	266,845	156,478	922,648
340	Charges for Goods and Services	1,447,083	811,931	-	-
350	Fines and Penalties	43,899	43,899	-	-
360	Miscellaneous Revenues	95,941	121,627	962	-
Total Revenues:		9,896,233	6,448,192	298,157	922,648
Expenditures					
510	General Government	1,244,701	1,244,701	-	-
520	Public Safety	1,982,698	1,982,698	-	-
530	Utilities	714,308	71,899	-	-
540	Transportation	442,144	959	441,185	-
550	Natural/Economic Environment	465,974	465,974	-	-
560	Social Services	5,949	5,949	-	-
570	Culture and Recreation	656,418	656,418	-	-
Total Expenditures:		5,512,192	4,428,598	441,185	-
Excess (Deficiency) Revenues over Expenditures:		4,384,041	2,019,594	(143,028)	922,648
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	588,200	-	500,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	34,145	34,145	-	-
Total Other Increases in Fund Resources:		622,345	34,145	500,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,232,077	117,589	525,815	-
591-593, 599	Debt Service	241,604	-	-	-
597	Transfers-Out	588,200	300,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,061,881	417,589	525,815	-
Increase (Decrease) in Cash and Investments:		2,944,505	1,636,150	(168,843)	922,648
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,048,165	-	716,035	922,648
50841	Committed	2,348,923	2,000,000	-	-
50851	Assigned	21,729	-	-	-
50891	Unassigned	4,124,521	4,124,521	-	-
Total Ending Cash and Investments		11,543,338	6,124,521	716,035	922,648

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		130 H Topiwala Bequest Trust Fund 130	202 LTGO Grant Anticipation Note Fund	203 Debt Service Fund	204 2013 Debt Service Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	150,729	8,480	4,167	1,669,498
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	130	4	2	1,427
Total Revenues:		130	4	2	1,427
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		130	4	2	1,427
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	101,920
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	101,920
Increase (Decrease) in Cash and Investments:		130	4	2	(100,493)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	150,859	8,484	-	1,569,005
50841	Committed	-	-	-	-
50851	Assigned	-	-	4,169	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		150,859	8,484	4,169	1,569,005

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		320 Capital Improvement Fund	322 Civic Center Project Fund	402 Stormwater Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	805,432	-	601,549
388 / 588	Net Adjustments	(14,271)	-	-
Revenues				
310	Taxes	663,922	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	772,832	-	181,978
340	Charges for Goods and Services	20,486	-	614,666
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	1,052	-	(29,263)
Total Revenues:		1,458,292	-	767,381
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	642,409
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	-	642,409
Excess (Deficiency) Revenues over Expenditures:		1,458,292	-	124,972
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	88,200	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	88,200	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	452,740	70,640	65,293
591-593, 599	Debt Service	37,459	-	102,225
597	Transfers-Out	288,200	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		778,399	70,640	167,518
Increase (Decrease) in Cash and Investments:		679,893	17,560	(42,546)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	1,471,054	-	210,080
50841	Committed	-	-	348,923
50851	Assigned	-	17,560	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		1,471,054	17,560	559,003

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	130 H Topiwala Bequest
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,243,847	3,593,698	554,751	149,818
388 / 588	Net Adjustments	13,769	13,769	-	-
Revenues					
310	Taxes	4,973,340	4,254,451	118,325	-
320	Licenses and Permits	447,625	416,801	30,824	-
330	Intergovernmental Revenues	1,282,867	553,755	194,289	-
340	Charges for Goods and Services	1,192,508	592,098	463	-
350	Fines and Penalties	36,189	36,189	-	-
360	Miscellaneous Revenues	196,529	47,742	7,504	911
Total Revenues:		8,129,058	5,901,036	351,405	911
Expenditures					
510	General Government	1,184,675	1,184,675	-	-
520	Public Safety	1,883,739	1,883,739	-	-
530	Utilities	583,939	70,839	-	-
540	Transportation	419,594	39	419,555	-
550	Natural/Economic Environment	468,479	468,479	-	-
560	Social Services	1,898	1,898	-	-
570	Culture and Recreation	672,404	672,404	-	-
Total Expenditures:		5,214,728	4,282,073	419,555	-
Excess (Deficiency) Revenues over Expenditures:		2,914,330	1,618,963	(68,150)	911
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	925,800	225,800	400,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	5,673	5,673	-	-
Total Other Increases in Fund Resources:		931,473	231,473	400,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,339,690	257,594	1,723	-
591-593, 599	Debt Service	238,690	-	-	-
597	Transfers-Out	925,800	725,800	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,504,180	983,394	1,723	-
Increase (Decrease) in Cash and Investments:		341,623	867,042	330,127	911
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,120,565	-	884,877	150,729
50841	Committed	2,000,000	2,000,000	-	-
50851	Assigned	4,167	-	-	-
50891	Unassigned	2,474,101	2,474,101	-	-
Total Ending Cash and Investments		8,598,833	4,474,101	884,877	150,729

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		202 LTGO Grant Anticipation Note Fund	203 Debt Service Fund	204 Debt Service 2013	320 Capital Improvement Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,428	4,141	1,458,000	1,657,658
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	600,564
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	534,823
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	51	25	10,218	125,903
Total Revenues:		51	25	10,218	1,261,290
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		51	25	10,218	1,261,290
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	300,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	300,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	1,875,871
591-593, 599	Debt Service	-	-	98,720	37,646
597	Transfers-Out	-	-	-	200,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	98,720	2,113,517
Increase (Decrease) in Cash and Investments:		51	25	211,498	(852,227)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	8,480	-	1,669,498	805,432
50841	Committed	-	-	-	-
50851	Assigned	-	4,167	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		8,480	4,167	1,669,498	805,432

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		402 Storm Water Fund
Beginning Cash and Investments		
308	Beginning Cash and Investments	817,353
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	599,947
350	Fines and Penalties	-
360	Miscellaneous Revenues	4,175
Total Revenues:		604,122
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	513,100
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		513,100
Excess (Deficiency) Revenues over Expenditures:		91,022
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	204,502
591-593, 599	Debt Service	102,324
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		306,826
Increase (Decrease) in Cash and Investments:		(215,804)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	601,549
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
Total Ending Cash and Investments		601,549

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	130 H Topiwala Bequest
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	8,788,316	2,667,587	1,116,130	146,651
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	4,734,575	4,108,940	113,281	-
320	Licenses and Permits	437,935	411,000	26,935	-
330	Intergovernmental Revenues	429,958	198,988	148,170	-
340	Charges for Goods and Services	1,784,169	1,180,446	-	-
350	Fines and Penalties	44,539	44,539	-	-
360	Miscellaneous Revenues	213,566	80,307	22,971	3,167
Total Revenues:		7,644,742	6,024,220	311,357	3,167
Expenditures					
510	General Government	1,083,388	1,083,388	-	-
520	Public Safety	1,672,266	1,672,266	-	-
530	Utilities	537,166	67,991	-	-
540	Transportation	493,624	4,389	489,235	-
550	Natural and Economic Environment	405,036	405,036	-	-
560	Social Services	1,801	1,801	-	-
570	Culture and Recreation	1,011,322	1,011,322	-	-
Total Expenditures:		5,204,603	4,246,193	489,235	-
Excess (Deficiency) Revenues over Expenditures:		2,440,139	1,778,027	(177,878)	3,167
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,125,800	225,800	400,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	2,617	2,542	-	-
Total Other Increases in Fund Resources:		1,128,417	228,342	400,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,786,623	154,459	783,500	-
591-593, 599	Debt Service	200,602	-	-	-
597	Transfers-Out	1,125,800	925,800	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,113,025	1,080,259	783,500	-
Increase (Decrease) in Cash and Investments:		(544,469)	926,110	(561,378)	3,167
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	8,243,847	3,593,697	554,752	149,818
Total Ending Cash and Investments		8,243,847	3,593,697	554,752	149,818

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		202 LTGO Grant Anticipation Note Fund	203 Debt Service Fund	204 Debt Service 2013
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	8,250	4,054	1,031,788
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	178	88	25,983
Total Revenues:		178	88	25,983
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	-	-
Excess (Deficiency) Revenues over Expenditures:		178	88	25,983
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	500,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	500,000
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	-	-	99,770
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	-	99,770
Increase (Decrease) in Cash and Investments:		178	88	426,213
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	8,428	4,141	1,458,000
Total Ending Cash and Investments		8,428	4,141	1,458,000

City of Normandy Park
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		320 Capital Improvement Fund	402 Storm Water Fund
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	1,756,747	2,057,109
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	512,354	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	32,800	50,000
340	Charges for Goods and Services	-	603,723
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	56,600	24,272
Total Revenues:		601,754	677,995
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	469,175
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	469,175
Excess (Deficiency) Revenues over Expenditures:		601,754	208,820
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	75
Total Other Increases in Fund Resources:		-	75
Other Decreases in Fund Resources			
594-595	Capital Expenditures	463,012	1,385,652
591-593, 599	Debt Service	37,832	63,000
597	Transfers-Out	200,000	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		700,844	1,448,652
Increase (Decrease) in Cash and Investments:		(99,090)	(1,239,757)
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	1,657,658	817,353
Total Ending Cash and Investments		1,657,658	817,353

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	765,475	119,380	646,095
388 & 588	Net Adjustments	151,559	151,559	-
310-390	Additions	1,703,232	3,469	1,699,763
510-590	Deductions	1,904,308	171	1,904,137
	Net Increase (Decrease) in Cash and Investments:	(201,076)	3,298	(204,374)
508	Ending Cash and Investments	715,959	274,236	441,723

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	701,763	121,363	580,400
388 & 588	Net Adjustments	-	-	-
310-390	Additions	1,687,486	103	1,687,383
510-590	Deductions	1,623,774	2,087	1,621,687
	Net Increase (Decrease) in Cash and Investments:	63,712	(1,984)	65,696
508	Ending Cash and Investments	765,475	119,380	646,095

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	516,840	122,215	394,625
388 & 588	Net Adjustments	-	-	-
310-390	Additions	1,798,086	741	1,797,345
510-590	Deductions	1,613,161	1,593	1,611,568
	Net Increase (Decrease) in Cash and Investments:	184,925	(852)	185,777
508	Ending Cash and Investments	701,763	121,363	580,400

The accompanying notes are an integral part of this statement.

City of Normandy Park
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	848,554	119,631	728,923
388 & 588	Net Adjustments	-	-	-
310-390	Additions	1,794,226	2,584	1,791,642
510-590	Deductions	2,125,939	-	2,125,939
	Net Increase (Decrease) in Cash and Investments:	(331,713)	2,584	(334,297)
508	Ending Cash and Investments	516,840	122,215	394,625

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

January 1, 2022 through December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Normandy Park was incorporated on June 8, 1953 and operates under the laws of the State of Washington applicable to a code city with a Council-Manager form of government. The City is a general purpose government and provides law enforcement, community development and planning, street improvements, stormwater maintenance, and general administrative services.

The City of Normandy Park reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual which is a departure from generally accepted accounting principles (GAAP) and is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. The BARS Manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- ❖ Financial transactions are recognized on a cash basis of accounting as described below.
- ❖ Component units are required to be disclosed, but are not included in the financial statements.
- ❖ Government-wide statements, as defined in GAAP, are not presented.
- ❖ All funds are presented, rather than a focus on major funds.
- ❖ The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- ❖ Supplementary information required by GAAP is not presented.
- ❖ Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

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

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General Fund (001)

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

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to

expenditures for specified purposes of the City.

Debt Service Funds (200-299)

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

Capital Project Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as a custodian on behalf of others.

Private-Purpose Trust Funds (620-629)

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

Custodial Funds (630-698)

These funds are used to account for assets that the City holds for others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3 – *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

The following are the City's compensated absences policies through the end of 2022:

Non-represented Employees:

Non-represented employees may accrue sick leave up to a maximum of 960 hours. Upon retirement or disability, employees receive payment for 35% of their unused sick leave balance. In the event of death, an employee's beneficiaries will receive 100% of unused sick leave balances.

In addition, non-represented employees may accrue vacation leave up to two (2) times the employee's annual accrual rate, not to exceed 240 hours. Vacation is payable upon separation or retirement if the employee has worked for the City for at least six (6) months and has given at least two (2) weeks of written notice for voluntary terminations.

Non-represented employees may accrue up to 40 hours of compensatory time off. Unused compensatory time will be paid out at separation of employment.

Teamsters Employees:

Employees represented by the Teamsters union may accrue sick leave up to a maximum of 960 hours and are eligible for a sick leave separation payment of 25% of their accrued and unused sick leave providing that the employee has a minimum accrued sick leave balance of 96 hours when separating from the City for purposes of resignation, retirement, layoff or death. In the case of voluntary termination, the employee must also give at least two (2) weeks of notice of resignation.

Teamster employees may accrue vacation up to a maximum of 240 hours. Any hours earned above the maximum will be cashed out to the employee, after the December 1st pay period. No payment for vacation will be given unless the employee has worked for the City for at least six (6) months and has given at least two (2) weeks of written notice for voluntary terminations.

Compensatory time may be accumulated up to a maximum of 40 hours in one (1) year and no more than 40 hours may be carried over into a succeeding year. Compensatory time is payable upon separation or retirement.

Normandy Park Police Officers Guild Collective Bargaining Unit (CBU):

Police Officer CBU employees may accumulate sick leave up to 960 hours. Employees who reach the 960 hours may continue to accrue and use sick leave during the calendar year, provided the employee is below the 960-hour cap on January 1st of each year. CBU employees are entitled to a sick leave payoff at retirement or upon death. At resignation or layoff, CBU employees will receive payment for unused sick leave at the rate of 25% and at retirement, CBU employees will receive payment for unused sick leave at the rate of 35%. In the event of death, 100% of accrued and unused sick leave shall be paid to an employee's beneficiaries.

Vacation for the CBU employees may be accumulated up to a maximum of 240 hours with an annual 200 hour maximum cap. No more than 240 hours of vacation benefit shall be

payable upon separation.

Compensatory time may be accumulated up to 60 hours for CBU employees. Compensatory time is payable upon separation or retirement.

The compensated absences liability at the year of 2022 was \$210,727.

F. Long-Term Debt

See Note 5 – *Long-Term Debt*.

G. Assigned, Committed & Restricted Portion of Ending Cash & Investments

Beginning and ending cash and investments are reported as restricted or committed when they are subject to restrictions imposed by external parties or due to internal commitments established by the City Council. Commitments are amounts that can only be used for specific purposes pursuant to constraints imposed by the most binding formal action which would include passage of an ordinance to establish, modify or rescind a commitment established by the Council.

When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first. The following table identifies the restrictions of cash and investments.

Table of Fund Restrictions

Fund	Amount	Assigned
Bldg Replacement Fund # 322	\$63,077	Funds budgeted/assigned for Civic Center project.
Total Assigned Funds	\$63,077	
Fund	Amount	Committed
General Fund #001	\$2,000,000	<i>General Fund Strategic Reserve Fund</i> established by Ordinance (additional information can be found below this table).
Stormwater Fund #402	\$279,311	Stormwater Utility Fund established by Ordinance.
Total Committed Funds	\$2,279,311	
Fund	Amount	Restricted
General Fund #001	\$6,992	Affordable Housing Sales Tax Credit to be used for affordable & supportive housing (HB 1406) of \$6,992
Street Fund #101	\$374,164	Motor vehicle fuel taxes, multimodal funds, and transportation benefit district revenues dedicated to street and transportation purposes.
ARPA Fiscal Recovery Fund #102	\$202,786	Indirect Federal grant funds dedicated to Covid-19 public health expenditures & other specified items (HR 1319).
2013 Debt Service Fund #204	\$682,794	Budget Appropriation in 2023 to transfer fund to Fund 322 & close fund.
Capital Improvement Fund #320	\$1,957,664	King County Parks Levy, REET 1, and REET 2 revenues to be spent on capital projects/expenditures.
Stormwater Fund #402	\$102,733	Bond covenants for Debt Service Fund & Common Reserve Fund.
Grace M. and T.A. Wilson Endowed Fund #621	\$69,882	Endowment agreement specifies that no more than 5% of fund balance can be spent each year.
Beaconsfield on the Sound Stewardship Fund #623	\$51,167	Stewardship fund for the restoration and maintenance of City parcels at Beaconsfield Plat (Ordinance #873).
H Topiwala Bequest Trust #624 (Formerly #130 Fund)	\$153,187	Bequest specifies that funds are to be used to improve the library, buy park land, and improve parks & walking trails (Ordinance #947)
Total Amount Restricted	\$3,601,369	

Note G Continued

In December 2017, the City Council adopted Ordinance #967 which established/updated policies previously adopted in 2015. Included in this Ordinance is the establishment of a *General Fund Strategic/Cumulative Reserve Fund* which was set up to build up a reserve fund equal to 20% of *General Fund* operating revenues, or \$2,000,000, whichever is greater, to help mitigate the effects of revenue fluctuations and economic downturns. To spend these reserve funds, a 2/3 approval of the City Council is required. At the year end of 2022, \$2,000,000 has been included in the General Fund ending cash and investments balance for this commitment that was established by Council Ordinance. In addition, \$247,048 has been committed in the General Fund for the payment of future unemployment reimbursements to the State of Washington Employment Security Department. This Fund was formally established by Ordinance #327 in 1978.

Note 2 - Property Tax

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed periodically during the month.

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

The City's regular levy for the year 2022 was \$1.2954 per \$1,000 on an assessed valuation of \$2,092,284,859 for a total regular levy of \$2,863,023.

Note 3 – Deposits and Investments

Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	Amount
Bank Deposits	\$ 119,984
State of WA – Local Government Investment Pool (LGIP)	14,296,989
Total Cash & Investments	\$14,416,973

It is the City's policy to invest all temporary cash surpluses.

The City maintains compensating balances with a bank in lieu of payments for services rendered. In 2022, the average compensating balance maintained to support services was \$3,378,540. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

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

The Office of the State Treasurer prepares a stand-alone financial report for the Pool. A copy of

the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200 and online at www.tre.wa.gov.

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

Custodial Credit Risk

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

Note 4 – Budget Compliance

The City adopts a biennial budget with two one-year annual appropriations for all funds except the custodial funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. The annual appropriations for these funds lapse at the fiscal year end.

The annual appropriations are adopted on cash basis which is the same basis of accounting as used for financial reporting.

The 2022 final amended appropriations and actual expenditures for the legally adopted budgets were as follows:

Fund		Final Appropriated Amounts	Actual Expenditures	Variance
General Fund #001		\$7,845,355	\$6,928,550	\$916,805
Special Revenue Funds				
	Street Fund #101	\$935,000	\$694,555	\$240,445
	ARPA Fiscal Recovery Fund #102	\$1,825,881	\$1,642,510	\$183,371
1	H. Topiwala Bequest Trust Fund 130 - Closed	\$152,518	\$151,559	\$959
Debt Service Funds				
2	LTGO Grant Anticipation Fund #202	\$8,484	\$8,484	\$0
2	Debt Service Fund #203	\$4,169	\$4,169	\$0
	2013 Debt Service Fund #204	\$1,169,364	\$910,165	\$259,199
Capital Project Funds				
2	Capital Improvement Fund #320	\$830,600	\$729,624	\$100,976
	Building Replacement Fund #322	\$319,760	\$230,049	\$89,711
	Capital Equipment Fund #350	\$249,000	\$85,853	\$163,147
Enterprise Funds				
	Stormwater Utility Fund #402	\$1,786,000	\$1,126,813	\$659,187
Trust Funds				
	Grace & T.A. Wilson Endowed Fund #621	\$1,500	\$171	\$1,329
	Topiwala Bequest Trust Fund #624	0	0	0
Total 2022 Final Budget Appropriation		\$15,127,131	\$12,512,502	\$2,615,129

1. The H. Topiwala Bequest Trust Fund 130 was closed and appropriately reclassified as a trust fund.
2. Fund closed as of December 1, 2022

Two budgets amendment were completed in during 2022 (Ordinance #1038 & 1049) and major adjustments included Federal ARPA Fund appropriation (\$1,635,200), closing of Fund 150 into fund 350 (\$805,398) and transferring \$2,000,000 from the General Fund to the Strategic Reserve that rolls up to the General Fund for financial reporting purposes.

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and

liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2022.

The debt service requirements for the revenue bonds, including principal and interest, are as follows:

2018 Revenue Bonds (Stormwater):

Year(s)	Principal (Due 6/1)	Interest (Due 6/1 & 12/1)	Total Debt Service	Outstanding Balance
				\$955,000
2023	\$74,000	\$28,733	\$102,733	\$881,000
2024	\$76,000	\$26,386	\$102,386	\$805,000
2025	\$79,000	\$23,960	\$102,960	\$726,000
2026	\$81,000	\$21,456	\$102,456	\$645,000
2027	\$84,000	\$18,874	\$102,874	\$561,000
2028-2031	\$362,000	\$48,045	\$410,045	\$199,000
2032-2033	\$199,000	\$6,276	\$205,276	\$0
Totals	\$955,000	\$204,748	\$1,159,748	N/A

Note 6 - Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans including the Public Employees' Retirement System (PERS) and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

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

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

DRS Plan	Employer Contributions	Allocation %	Net Pension Liability Ending Balance 12/31/2022	Net Pension Asset Ending Balance 12/31/2022
PERS 1 UAAL	\$39,570	0.006457%	\$179,787	
PERS 2 & 3	\$67,640	0.008420%		(\$312,279)
LEOFF 1	\$0	0.001873%		(\$53,729)
LEOFF 2	\$50,408	0.024348%		(\$661,705)

LEOFF Plan 1 The City also participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

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

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 nonduty 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.

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.

Note 7 – Deferred Compensation Plans

While the City offers all employees the option to defer a portion of their salary into an Internal Revenue Code (IRC) Section 457 Plan, the City of Normandy Park only contributed to one employee's MissionSquare Retirement (formerly ICMA-RC) deferred compensation plan in 2022. Per the employment agreement, the City contributes to the deferred compensation plan at the same rate that the City would pay into the WA State Department of Retirement Systems PERS II Plan.

Note 8 - Risk Management

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

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

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

Note 9 – Health & Welfare

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2022, 262 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

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

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

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

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

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

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

The City self-insures for unemployment insurance and is thereby classified as a reimbursable employer by the State of Washington. As a reimbursable employer, the City reimburses actual unemployment benefits paid by Employment Security Department to separated employees instead of paying unemployment taxes also referred to in the RCW's as a "payment in lieu of contribution." The City maintains a managerial fund called the *Unemployment Insurance Contingency Reserve Fund (UIRC) #105* which is merged with the *General Fund* for the year end annual financial report.

Note 10 - Other Disclosures

a. Metropolitan Park District

In 2010, the voters of Normandy Park approved the Normandy Park Metropolitan Park District (Park District). City Councilmembers also serve as Park Board Commissioners. The Park District is a separate taxing district but contracts with the City for park and recreation related services. The City bills the Park District quarterly for services provided. The City of

Normandy Park serves as the Fiscal Agent for the Park District.

b. General Fund Reporting

The City has three *Special Revenue Funds* which include the *Arts Commission Fund #104*, the *Unemployment Insurance Reimbursement Contingency Fund #105*, and the *Anti-Drug Reserve Fund #120* that are all considered managerial funds because they do not have dedicated restricted types of funding sources. All of these funds have distinct budgets adopted by Ordinance by the City Council. For financial reporting purposes, all of these funds are combined into the *General Fund* at year end and any interfund transfers between the funds are eliminated.

c. Contingencies and Litigation

As of December 31, 2022, the City of Normandy Park in its normal course of various operations is involved in lawsuits and is the recipient of claims for damages alleging that the City is responsible for damages incurred by third parties. Claims and/or litigation arise in areas such as building, zoning, storm drain or road construction, other land-use regulations, property damage, as well as other areas. These claims or lawsuits are relatively natural consequences of conducting the City's business. Please refer to Risk Management Note 8. In the opinion of management, the City's insurance policies and insurance reserves are adequate to pay all known or pending claims. In addition, the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending, would not materially affect the condition of the City.

d. Significant Commitments

There are no significant commitments.

e. Prior Period Adjustments

A prior period adjustment was made in the General Fund (\$27,635) and the Stormwater Fund (-\$27,635) to correct the calculation of the 8% utility tax for the year 2020 and 2021.

In 2018, the City received funds that specifies that funds are to be used to improve the library, buy park land, and improve parks & walking trails. The fund was set up as a Special Revenue Fund (Fund130) instead of a Trust Fund. The Special Revenue was closed out and the money transferred to H Topiwala Bequest Trust #624 in the amount of \$151,559 when it was identified that the classification was not correct.

f. Subsequent Event

On November 2, 2021, voters of the City of Normandy Park approve a proposition that allows a renewal of a six-year levy lift for 2023 through 2018, with the first year total levy rate of \$1.60 per \$1,000 of assessed valuation and a limit factor of four percent or such lesser percentage as will maintain the total levy rate at \$1.60 per \$1,000 of assessed valuation for the succeeding five years. The purpose of the levy lid lift is to provide necessary City service levels. In keeping with said purpose, the City may use the proceeds of such levy for police and streets as well as all general City purposes.

Notes to the Financial Statements

January 1, 2021 through December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of Normandy Park was incorporated on June 8, 1953 and operates under the laws of the State of Washington applicable to a code city with a Council-Manager form of government. The City is a general purpose government and provides law enforcement, community development and planning, street improvements, stormwater maintenance, and general administrative services.

The City of Normandy Park reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual which is a departure from generally accepted accounting principles (GAAP) and is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. The BARS Manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- ❖ Financial transactions are recognized on a cash basis of accounting as described below.
- ❖ Component units are required to be disclosed, but are not included in the financial statements.
- ❖ Government-wide statements, as defined in GAAP, are not presented.
- ❖ All funds are presented, rather than a focus on major funds.
- ❖ The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- ❖ Supplementary information required by GAAP is not presented.
- ❖ Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

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

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General Fund (001)

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

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to

expenditures for specified purposes of the City.

Debt Service Funds (200-299)

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

Capital Project Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as a custodian on behalf of others.

Private-Purpose Trust Funds (620-629)

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

Custodial Funds (630-698)

These funds are used to account for assets that the City holds for others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3 – *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

The following are the City's compensated absences policies through the end of 2021:

Non-represented Employees:

Non-represented employees may accrue sick leave up to a maximum of 960 hours. Upon retirement or disability, employees receive payment for 35% of their unused sick leave balance. In the event of death, an employee's beneficiaries will receive 100% of unused sick leave balances.

In addition, non-represented employees may accrue vacation leave up to two (2) times the employee's annual accrual rate, not to exceed 240 hours. Vacation is payable upon separation or retirement if the employee has worked for the City for at least six (6) months and has given at least two (2) weeks of written notice for voluntary terminations.

Non-represented employees may accrue up to 40 hours of compensatory time off. Unused compensatory time will be paid out at separation of employment.

Teamsters Employees:

Employees represented by the Teamsters union may accrue sick leave up to a maximum of 960 hours and are eligible for a sick leave separation payment of 25% of their accrued and unused sick leave providing that the employee has a minimum accrued sick leave balance of 96 hours. In the case of voluntary termination, the employee must also give at least two (2) weeks of notice of resignation.

Teamster employees may accrue vacation up to a maximum of 240 hours. Any hours earned above the maximum will be cashed out to the employee, after the December 1st pay period. No payment for vacation will be given unless the employee has worked for the City for at least six (6) months and has given at least two (2) weeks of written notice for voluntary terminations.

Compensatory time may be accumulated up to a maximum of 40 hours in one (1) year and no more than 40 hours may be carried over into a succeeding year. Compensatory time is payable upon separation or retirement.

Normandy Park Police Officers Guild Collective Bargaining Unit (CBU):

Police Officer CBU employees may accumulate sick leave up to 960 hours. Employees who reach the 960 hours may continue to accrue and use sick leave during the calendar year, provided the employee is below the 960-hour cap on January 1st of each year. CBU employees are entitled to a sick leave payoff at retirement or upon death. At retirement, CBU employees will receive payment for unused sick leave at the rate of 30%. In the event of death, 100% of accrued and unused sick leave shall be paid to an employee's beneficiaries.

Vacation for the CBU employees may be accumulated up to a maximum of 240 hours with an annual 200 hour maximum cap. No more than 240 hours of vacation benefit shall be payable upon separation.

Compensatory time may be accumulated up to 60 hours for CBU employees. Compensatory time is payable upon separation or retirement.

The compensated absences liability at the year of 2021 was \$158,324.

F. Long-Term Debt

See Note 6 – *Long-Term Debt*.

G. Assigned, Committed & Restricted Portion of Ending Cash & Investments

Beginning and ending cash and investments are reported as restricted or committed when they are subject to restrictions imposed by external parties or due to internal commitments established by the City Council. Commitments are amounts that can only be used for specific purposes pursuant to constraints imposed by the most binding formal action which would include passage of an ordinance to establish, modify or rescind a commitment established by the Council.

When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Fund	Amount	Assigned
Debt Service Fund #203	\$4,169	Budget amendment in 2022 to transfer remaining funds to <i>General Fund</i> and close fund.
Civic Center Project Fund #322	\$17,560	Funds budgeted/assigned for Civic Center project.
Total Assigned Funds	\$21,729	
Fund	Amount	Committed
General Fund #001	\$2,000,000	<i>General Fund Strategic Reserve Fund</i> established by Ordinance (additional information can be found below this table).
Stormwater Fund #402	\$348,923	Stormwater Utility Fund established by Ordinance.
Total Committed Funds	\$2,348,923	
Fund	Amount	Restricted
General Fund #001	\$2,863	Affordable Housing Sales Tax Credit to be used for affordable & supportive housing (HB 1406)
Street Fund #101	\$716,035	Motor vehicle fuel taxes, multimodal funds, and transportation benefit district revenues dedicated to street and transportation purposes.
ARPA Fiscal Recovery Fund #102	\$922,648	Indirect Federal grant funds dedicated to Covid-19 public health expenditures & other specified items (HR 1319).
LTGO Grant Anticipation Note Fund #202	\$8,484	Budget amendment in 2022 to return remaining funds to Capital Improvement Fund #320 & close fund.
2013 Debt Service Fund #204	\$1,569,005	Bond covenants.
Capital Improvement Fund #320	\$1,471,054	King County Parks Levy, REET 1, and REET 2 revenues to be spent on capital projects/expenditures.
Stormwater Fund #402	\$210,080	Bond covenants for Debt Service Fund & Common Reserve Fund.
Grace M. and T.A. Wilson Endowed Fund #621	\$68,990	Endowment agreement specifies that no more than 5% of fund balance can be spent each year.
Beaconsfield on the Sound Stewardship Fund #623	\$50,390	Stewardship fund for the restoration and maintenance of City parcels at Beaconsfield Plat (Ordinance #873).
H Topiwala Bequest Trust #624 (Formerly #130 Fund)	\$150,859	Bequest specifies that funds are to be used to improve the library, buy park land, and improve parks & walking trails (Ordinance #947)
Total Amount Restricted	\$5,170,408	

In December 2017, the City Council adopted Ordinance #967 which established/updated policies previously adopted in 2015. Included in this Ordinance is the establishment of a *General Fund Strategic/Cumulative Reserve Fund* which was set up to build up a reserve fund equal to 20% of *General Fund* operating revenues, or \$2,000,000, whichever is greater, to help mitigate the effects of revenue fluctuations and economic downturns. To spend these reserve funds, a 2/3 approval of the City Council is required. At the year of 2021, \$2,000,000 has been included in the General Fund ending cash and investments balance for this commitment that was established by Council Ordinance. In addition, \$199,217 has been committed in the General Fund for the payment of future unemployment reimbursements to the State of Washington Employment Security Department. This Fund was formally established by Ordinance #327 in 1978.

Note 2 - Property Tax

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed periodically during the month.

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

The City's regular levy for the year 2021 was \$1.46 per \$1,000 on an assessed valuation of \$1,869,643,899 for a total regular levy of \$2,733,257.

Note 3 – Deposits and Investments

Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	Amount
Bank Deposits	\$ 2,041,637
State of WA – Local Government Investment Pool (LGIP)	10,186,272
Total Cash & Investments	\$12,227,909

It is the City's policy to invest all temporary cash surpluses.

The City maintains compensating balances with a bank in lieu of payments for services rendered. In 2021, the average compensating balance maintained to support services was \$1,815,824. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

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

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

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

Custodial Credit Risk

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

Note 4 – Budget Compliance

The City adopts a biennial budget with two one-year annual appropriations for all funds except the custodial funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. The annual appropriations for these funds lapse at the fiscal year end.

The annual appropriations are adopted on cash basis which is the same basis of accounting as used for financial reporting.

The 2021 final amended appropriations and actual expenditures for the legally adopted budgets were as follows:

Fund	Final Appropriated Amount	Actual Expenditures	Variance
General Fund #001	\$5,704,256	\$5,008,962	\$695,294
Special Revenue Funds			
Street Fund	\$1,187,850	\$967,200	\$220,650
ARPA Fiscal Recovery Fund #102	\$196,500	\$0	\$196,500
Arts Commission Fund #104	\$35,100	\$24,505	\$10,595
UIRC Fund #105	\$6,000	\$3,210	\$2,790
Anti-Drug Cumulative Resv Fund #120	\$200	\$0	\$200
Equipment Reserve & Repl Fund #150	\$159,000	\$114,062	\$44,938
Debt Service Funds			
2013 Debt Service Fund #204	\$105,000	\$101,920	\$3,080
Capital Project Funds			
Capital Improvement Fund #320	\$843,700	\$792,670	\$51,030
Civic Center Project Fund #322	\$88,200	\$70,640	\$17,560
Enterprise Funds			
Stormwater Utility Fund #402	\$1,313,500	\$810,051	\$503,449
Trust Funds			
Grace & T.A. Wilson Endowed Fund #621	\$2,500	\$2,087	\$413
Total 2021 Final Budget Appropriation	\$9,641,806	\$7,895,307	\$1,746,499

A budget amendment was completed in December 2021 (Ordinance #1033) and major adjustments included Federal ARPA Fund grant revenues (\$921,747), Transportation Improvement Board (TIB) grant revenues for the 1st Avenue South Overlay project (\$290,000) and the 12th Place SW/SW 170th Overlay (\$350,000), and capital expenditures related to the Civic Center (\$88,200). In addition, \$200,000 was added for the annual overlay maintenance program and \$100,000 for ADA improvements.

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

Note 5 – COVID-19 Pandemic

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

Due to the Governor's *Stay Home, Stay Healthy* Executive Order issued in March 2020, the City closed the recreation center building to all recreation activities and facility rentals. This closure

reduced related building operating expenditures. The City is the process of abating and demolishing the recreation center due to age, cost, and safety issues with the building. The City is also discussing various options for replacing the recreation center. In addition, City Council, committees, and board commission meetings were held remotely and some employees worked remotely. Safety measures and procedures were also implemented and followed by staff and others. The City has remained economically stable and continues to adapt to changing conditions, as necessary.

The length of time Covid-19 precautionary measures will continue to be in place, and the full extent of the direct or indirect financial impact on the City is unknown at this time.

Note 6 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2021.

The debt service requirements for both general obligation and revenue bonds, including principal and interest, are as follows:

2013 General Obligation Bonds:

Year(s)	Principal (Due 6/1)	Interest (Due 6/1 & 12/1)	Total Debt Service	Outstanding Balance
				\$875,000
2022	\$65,000	\$34,865	\$101,887	\$810,000
2023	\$70,000	\$32,980	\$105,003	\$740,000
2024	\$70,000	\$30,320	\$102,344	\$670,000
2025	\$75,000	\$27,660	\$104,685	\$595,000
2026	\$75,000	\$24,810	\$101,836	\$520,000
2027-2031	\$425,000	\$76,140	\$501,140	\$95,000
2032-2036	\$95,000	\$4,085	\$99,085	\$0
Totals	\$875,000	\$230,860	\$1,115,980	N/A

The City has set aside the funds to call and retire 100% of the outstanding 2013 general obligation bonds on December 1, 2022.

2018 Revenue Bonds (Stormwater):

Year(s)	Principal (Due 6/1)	Interest (Due 6/1 & 12/1)	Total Debt Service	Outstanding Balance
				\$1,027,000
2022	\$72,000	\$31,018	\$105,040	\$810,000
2023	\$74,000	\$28,733	\$104,756	\$740,000
2024	\$76,000	\$26,386	\$104,410	\$670,000
2025	\$79,000	\$23,960	\$104,985	\$595,000
2026	\$81,000	\$21,456	\$104,482	\$520,000
2027-2031	\$446,000	\$66,919	\$512,919	\$95,000
2032-2036	\$199,000	\$6,276	\$205,276	\$0
Totals	\$1,027,000	\$204,748	\$1,241,868	N/A

Note 7 - Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans including the Public Employees' Retirement System (PERS) and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

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

At June 30, 2021 (*the measurement date of the plans*), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities (Schedule 09), was as follows:

DRS Plan	Employer Contributions	Allocation %	Net Pension Liability Ending Balance 12/31/2021	Net Pension Asset Ending Balance 12/31/2021
PERS 1 UAAL	\$55,201	0.007411%	\$90,506	N/A
PERS 2 & 3	\$90,191	0.009521%	N/A	(\$948,445)
LEOFF 1	\$0	0.001823%	N/A	(\$62,448)
LEOFF 2	\$52,001	0.026086%	N/A	(\$1,515,183)

LEOFF Plan 1

LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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

Note 8 – Deferred Compensation Plans

While the City offers all employees the option to defer a portion of their salary into an Internal Revenue Code (IRC) Section 457 Plan, the City of Normandy Park only contributed to one employee's MissionSquare Retirement (formerly ICMA-RC) deferred compensation plan in 2021. Per the employment agreement, the City contributes to the deferred compensation plan at the same rate that the City would pay into the WA State Department of Retirement Systems PERS II Plan. The DRS PERS Plan II employer rates were 12.97% prior to 7/1/21 and 10.25% after 7/1/21. Total City contributions to this 457 Plan in 2021 were \$8,755.

Note 9 - Risk Management

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

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

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

determines the limits and terms of coverage annually.

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

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

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

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

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

Questions about the WCIA's financial information or for copies of their financial statements, please contact Ann Bennett, the Pool's Executive Director, P.O. Box 88030, Tukwila, WA 98138 (206) 575-6046.

Note 10 – Health & Welfare

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

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

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

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to

individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

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

The City self-insures for unemployment insurance and is thereby classified as a reimbursable employer by the State of Washington. As a reimbursable employer, the City reimburses actual unemployment benefits paid by Employment Security Department to separated employees instead of paying unemployment taxes also referred to in the RCW's as a "payment in lieu of contribution." The City maintains a managerial fund called the *Unemployment Insurance*

Contingency Reserve Fund (UIRC) #105 which is merged with the *General Fund* for the year end annual financial report.

Note 11 - Other Disclosures

a. Metropolitan Park District

In 2010, the voters of Normandy Park approved the Normandy Park Metropolitan Park District (Park District). City Councilmembers also serve as Park Board Commissioners. The Park District is a separate taxing district but contracts with the City for park and recreation related services. The City bills the Park District quarterly for services provided.

b. General Fund Reporting

The City has four *Special Revenue Funds* which include the *Arts Commission Fund #104*, the *Unemployment Insurance Reimbursement Contingency Fund #105*, the *Anti-Drug Reserve Fund #120*, and the *Equipment Reserve & Replacement Fund #150* that are all considered managerial funds because they do not have dedicated restricted types of funding sources. All of these funds have distinct budgets adopted by Ordinance by the City Council. For financial reporting purposes, all of these funds are combined into the *General Fund* at year end and any interfund transfers between the funds are eliminated.

c. Contingencies and Litigation

The City of Normandy Park's legal counsel is not aware of any lawsuits at this time except one potential code enforcement action for a right-of-way encroachment with a low potential for liability other than attorney's fees.

d. Significant Commitments

On December 31, 2021, the City was holding \$8,416 in construction retainage on 2021 Overlay Projects. These funds were remitted to the Department of Revenue in 2022 for outstanding claims against the contractor for taxes, penalties, etc.

e. Prior Period Adjustments

A prior period adjustment was made in the General Fund (\$14,271) and the Capital Improvement Fund #320 (-\$14,271) for property tax revenues that were improperly recorded as real estate excise taxes in the prior year.

f. Subsequent Events

On May 10, 2022, the City Council approved Ordinance #1039 authorizing the submission of ballot Proposition #1 to the Normandy Park voters. In accordance with Ordinance No. 1039, if this proposition is approved, general obligation bonds will be issued in the amount of \$15 million to pay for the design, construction and equipping of a 23,000 square foot Civic Center at City Hall Park, to include City Hall and the Police Department; meeting and event rooms; indoor and outdoor community recreation spaces, including a gymnasium, dance studio, an outdoor playfield, basketball courts and parking spaces; environmentally-friendly outdoor green spaces and an early childhood education program (Normandy Park Preschool) for use by the City and its residents. The new Civic Center would replace the

buildings currently located at City Hall Park. Costs of the project not paid by bonds would be paid from private donations and grants. The bonds in the amount of not to exceed \$15,000,000 would be repaid out of annual property tax levies over a period of up to 25 years. The levy tax rate is estimated to be an increase of \$0.508 per thousand dollars of assessed valuation. The estimated annual property tax paid by an owner of a median assessed value home (\$755,000) would be approximately \$384 for the year or \$32 per month for 2023. Exemptions from taxes may be available to certain homeowners.

Subsequent event update: On August 2, 2022, Proposition #1 failed to pass by the Normandy Park voters and the City Council will continue to discuss how to proceed with this outstanding issue.

Notes to the Financial Statements

January 1, 2020 through December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Normandy Park was incorporated on June 8, 1953 and operates under the laws of the state of Washington applicable to a code city with a Council-Manager form of government. The City is a general purpose government and provides law enforcement, community planning, street improvements, storm water maintenance and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Normandy Park reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting* System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

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

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose.

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)

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

Special Revenue Funds (100-199)

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

Debt Service Funds (200-299)

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

Capital Projects Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds (621-629)

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

Agency Funds (630-699)

These funds are used to account assets that City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level.

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

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

	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund (001)	\$ 5,698,323	\$ 5,120,672	\$ 577,651
Special Revenue Funds			
<i>Street Fund (101)</i>	800,205	421,279	378,926
<i>Arts Commission (104)</i>	34,351	7,674	26,677
<i>UIRC Fund (105)</i>	10,000	3,690	6,310
<i>Anti-Drug Res Fund (120)</i>	200	-	200
<i>Equip Res & Repl Fund (150)</i>	81,200	133,434	(52,234)
Debt Service Funds			
LTGO GAN Fund (202)	-	-	-
<i>Debt Service Fund (203)</i>	-	-	-
<i>Debt Service Fund (204)</i>	100,000	98,720	1,280
Capital Project Funds			
<i>Capital Improvement Fund (320)</i>	2,169,718	2,113,517	56,201
Enterprise Funds			
<i>Stormwater Utility Fund (402)</i>	1,005,344	819,926	185,418
Trust Fund			
<i>TA Wilson Fund (621)</i>	2,550	1,594	956

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 240 hours at year end. Compensatory time may be accumulated up to 60 hours for Collective Bargaining Unit (CBU) and 40 hours for employees represented by Teamsters. Both compensatory time and vacation are payable upon separation or retirement.

For non-represented employees, sick leave may accumulate up to 720 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 35%. In the event of death, unused sick leave is paid out at 100%.

For Collective Bargaining Unit employees, sick leave may accumulate up to 960 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 30%. In the event of death, unused sick leave is paid out at 100%.

Employees covered under Teamsters are eligible to be paid for 25% of accrued and unused sick to a maximum of 960 hours at termination provided the employee resigns in accordance with the notice requirements under contract.

I. Long-Term Debt See Note 4.

J. Other Financing Sources or Uses

The City's "*Other Financing Sources or Uses*" consist of insurance recovery.

K. Risk Management

The City of Normandy Park 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 162 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 and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and

sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

L. Reserved Fund Balance

The Capital Improvement Fund (320) has a restricted ending balance of \$283,987. These funds are to be used on a park improvement project as set out by the King County Parks Levy. It is anticipated that these funds will be used once sufficient funding is accumulated.

The TA Wilson Fund has a restricted balance ending of \$71,017. This balance will change each year per the endowment agreement to only use no more than 5% of the fund balance each year.

Note 2 - Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at cost.

Investments by type at December 31, 2020 are as follows:

<u>Type of Investment</u>	<u>Amount</u>
Local Government Investment Pool	\$7,544,273.42

The State's Local Government Investment Pool is managed by the Washington State Treasurer's Office. The LGIP is not SEC registered but has oversight provided by the following sources: 1) annually audited by the Office of the State Auditor; 2) annually audited by an outside, independent auditor; 3) an Advisory Committee meets quarterly to advise the State Treasurer on issues regarding the LGIP; 4) monthly statement enclosures detailing portfolio breakdown and earnings information sent to participants; and 5) quarterly newsletters that include a compliance report and quarterly financials.

Financial reports are available at the State Treasurer's Office, P.O. Box 40200, Olympia, Washington, 98504-2000.

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed periodically during the month.

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

The City's regular levy for the year 2020 was \$1.46 per \$1,000 on an assessed valuation of \$1,797,812,878 for a total regular levy of \$2,623,016.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principal and interest, are as follows:

Year	General Obligation Bonds		Interest	Total
	Principal			
2020	60,000		38,120	98,120
2021	65,000		36,620	101,620
2022	65,000		34,865	99,865
2023	70,000		32,980	102,980
2024	70,000		30,320	100,320
2025-2029	395,000		108,830	503,830
2030-2032	275,000		23,865	298,865
TOTALS	\$ 1,000,000		\$ 305,600	\$ 1,305,600

Year	Stormwater Revenue Bonds		Interest	Total
	Principal			
2020	67,000		35,353	102,353
2021	69,000		33,225	102,225
2022	72,000		31,018	103,018
2023	74,000		28,733	102,733
2024	76,000		26,386	102,386
2025-2029	419,000		93,978	512,978
2030-2033	386,000		24,633	410,633
TOTALS	\$ 1,163,000		\$ 273,327	\$ 1,436,327

Year	Other Debt		Interest	Total
	Principal			
2020	37,273		373	37,646
2021	37,273		186	37,459
TOTALS	\$ 74,546		\$ 559	\$ 75,105

Note 5 - Pension Plans

Substantially all City full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) or Public Service Employees' Retirement System (PSERS) 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, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

At June 30, 2020 the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Employer Contribution	Net Pension Liability Ending Balance 12/31/2020	Net Pension Asset Ending Balance 12/31/2020
PERS 1 UAAL	0.007597%	\$ 55,060	\$ 268,215	\$ -
PERS 2 and 3	0.009893%	\$ 91,134	\$ 126,526	\$ -
PSERS 2	0.000000%	\$ -	\$ -	\$ -
LEOFF 1	0.002074%	\$ -	\$ -	\$ (39,168)
LEOFF 2	0.022473%	\$ 43,961	\$ -	\$ (458,416)
Totals		\$ 190,155	\$ 394,741	\$ (497,584)

Note 6 - Other Disclosures

a. Metropolitan Parks District

In 2010, the voters of Normandy Park approved a Metropolitan Parks District (MPD) to be operated by the same council as the City. The MPD is an entity separate from the City however; the City performs the duties for the MPD through an interlocal agreement. The City bills the MPD quarterly for services provided.

b. General Fund Reporting

Further, for the purpose of reporting clarity, the Arts Commission Fund (104), UIRC Fund (105), Anti-Drug Reserve Fund (120), Topiwala Bequest Fund (130) and the Equipment

Reserve/Replacement Fund (150) have been rolled into the General Fund (001) as these funds are substantially supported by the General Fund.

c. Reserve Policy

In the 2009-2010 budget process, management stated a goal of maintaining a \$1,100,000 general fund reserve balance. This balance was management driven and not Council imposed. Due to the financial decline of the economy in 2009, management met with the Finance Committee. It was decided to allow the reserve drop below the \$1,100,000. It is the intention of management to re-establish the reserve in the future.

d. Litigation

The City of Normandy Park and its legal counsel are not aware of any lawsuit in 2020. Litigation falling within the scope of the City's self-insured coverage is routinely tendered to the Washington Cities Insurance Authority ("WCIA"), a risk management and self-insured risk pool of 163 public agency members. Below is a summary of all potential litigation, claims and assessments, including threatened or unasserted claims, which is limited to those having potential liability over \$20,000.

1. Wood Code Enforcement Matter. The City has been engaged in an ongoing code enforcement action against Mr. Kris Wood, located at 721 SW Normandy Road, Normandy Park, Washington, since 2018. Mr. Wood was given an emergency right-of-way permit in 2018 to reconstruct a four-foot-tall rockery on his property that had collapsed. He went outside the scope of the emergency permit to build two retaining walls, one 12-foot-tall and the other 6 feet tall. These walls are built partially in the City's right-of-way and exceed the permitted height of 4' for a front yard. The City issued a Voluntary Correction Agreement, as well as a Notice of Violation requiring Mr. Wood to bring his property into compliance by reducing the height of the walls and removing the walls from the City right-of-way. The appeal period has expired for challenging the Notice of Violation. Should the City move forward with abating the violations, there is a slight chance that Mr. Wood may challenge the City's right to abate the nuisances and/or the City's recovery of abatement costs.
2. Hartwell Code Enforcement Matter. The City was notified in March 2021 that Ms. Anakka Hartwell had undertaken excavation work on her property, located at 400 SW 206th Street, Normandy Park, WA, without proper permits. The work appeared to disturb Ms. Hartwell's septic system drain field, which triggered King County Environmental Health review. The City issued Ms. Hartwell a stop work order, but she continued to work. She also obtained an attorney to challenge the City's issuance of the stop work order, but the appeal period expired before a formal appeal was filed. Should the City move forward with abating the violations, there is a slight chance that Ms. Hartwell may challenge the City's right to abate the nuisances and/or the City's recovery of abatement costs.

Note 7 – Covid-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The City of Normandy quickly transitioned staff to work remotely necessitating the need to purchase laptops and other equipment to facilitate this change. Additionally, the City closed all Recreation Programming include Preschool. Closing the preschool program due to COVID necessitated the layoff of two teachers and a Teacher Assistant.

In 2020, the City of Normandy Park received \$297,450 in Coronavirus Relief through WA State Department of Commerce. The City was reimbursed for COVID-19 related expenses totaling \$11,671 and \$285,779 of public safety expenditures.

King County awarded the City of Normandy Park \$10,095 in grants, which the City used as pass-through grants to reimburse business interruption costs not previously satisfied by other funding sources. As of May 26, 2021 King County changed the funding source from federal to non-federal dollars.

Note 8 – Subsequent Events

On March 11, 2021, the American Rescue Plan Act (“ARPA”) was signed into law. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City anticipates receiving approximately \$1.8 million in ARPA assistance. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes.

Note 9 – Other Disclosures

During the year ending 2020 the City adopted guidance for ending cash classifications, as required by the BARS manual. This requirement resulted in the addition of a BARS Manual Changes Disclosure. The impact was category changes of ending cash and investments.

During the year ending 2020 the City adopted guidance for fiduciary fund statements, as required by the BARS manual. This requirement resulted in the addition of a BARS Manual Changes Disclosure. The impact was reporting changes to funds.

Notes to the Financial Statements

January 1, 2019 through December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Normandy Park was incorporated on June 8, 1953 and operates under the laws of the state of Washington applicable to a code city with a Council-Manager form of government. The City is a general purpose government and provides law enforcement, community planning, street improvements, storm water maintenance and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The City of Normandy Park reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

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

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose.

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund (001)

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

Special Revenue Funds (100-199)

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

Debt Service Funds (200-299)

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

Capital Projects Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds (621-629)

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

Agency Funds (630-699)

These funds are used to account assets that City holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level.

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

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

	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund (001)	\$ 5,426,038	\$ 5,098,507	\$ 327,531
Special Revenue Funds			
<i>Street Fund (101)</i>	1,225,842	1,272,735	(46,893)
<i>Arts Commission (104)</i>	33,348	20,922	12,426
<i>UIRC Fund (105)</i>	10,000	-	10,000
<i>Anti-Drug Res Fund (120)</i>	200	-	200
<i>Equip Res & Repl Fund (150)</i>	200,000	97,755	102,245
Debt Service Funds			
LTGO GAN Fund (202)	-	-	-
<i>Debt Service Fund (203)</i>	-	-	-
<i>Debt Service Fund (204)</i>	100,000	99,770	230
Capital Project Funds			
<i>Capital Improvement Fund (320)</i>	1,247,532	700,843	546,689
Enterprise Funds			
<i>Stormwater Utility Fund (402)</i>	2,444,315	1,917,827	526,488
Trust Fund			
<i>TA Wilson Fund (621)</i>	550	-	550

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The capital assets of the City are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 240 hours at year end. Compensatory time may be accumulated up to 60 hours for Collective Bargaining Unit (CBU) and 40 hours for employees represented by Teamsters. Both compensatory time and vacation are payable upon separation or retirement.

For non-represented employees, sick leave may accumulate up to 720 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 35%. In the event of death, unused sick leave is paid out at 100%.

For Collective Bargaining Unit employees, sick leave may accumulate up to 960 hours. Upon retirement only, employees receive payment for unused sick leave at the rate of 30%. In the event of death, unused sick leave is paid out at 100%.

Employees covered under Teamsters are eligible to be paid for 25% of accrued and unused sick to a maximum of 960 hours at termination provided the employee resigns in accordance with the notice requirements under contract.

I. Long-Term Debt See Note 4.

J. Other Financing Sources or Uses

The City's "*Other Financing Sources or Uses*" consist of insurance recovery.

K. Risk Management

The City of Normandy Park 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 163 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers.

The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 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, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

L. Reserved Fund Balance

The Capital Improvement Fund (320) has a restricted ending balance of \$167,383. These funds are to be used on a park improvement project as set out by the King County Parks Levy. It is anticipated that these funds will be used once sufficient funding is accumulated.

The TA Wilson Fund has a restricted balance ending of \$72,173. This balance will change each year per the endowment agreement to only use no more than 5% of the fund balance each year.

Note 2 - Investments

The City's investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at cost.

Investments by type at December 31, 2019 are as follows:

<u>Type of Investment</u>	<u>Amount</u>
Local Government Investment Pool	\$8,410,398

The State's Local Government Investment Pool is managed by the Washington State Treasurer's Office. The LGIP is not SEC registered but has oversight provided by the following

sources: 1) annually audited by the Office of the State Auditor; 2) annually audited by an outside, independent auditor; 3) an Advisory Committee meets quarterly to advise the State Treasurer on issues regarding the LGIP; 4) monthly statement enclosures detailing portfolio breakdown and earnings information sent to participants; and 5) quarterly newsletters that include a compliance report and quarterly financials.

Financial reports are available at the State Treasurer's Office, P.O. Box 40200, Olympia, Washington, 98504-2000.

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed periodically during the month.

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

The City's regular levy for the year 2018 was \$1.46 per \$1,000 on an assessed valuation of \$1,715,792,596 for a total regular levy of \$2,507,595.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principal and interest, are as follows:

General Obligation Bonds			
Year	Principal	Interest	Total
2019	60,000	39,470	99,470
2020	60,000	38,120	98,120
2021	65,000	36,620	101,620
2022	65,000	34,865	99,865
2023	70,000	32,980	102,980
2024-2028	380,000	120,820	500,820
2029-2032	360,000	39,345	399,345
TOTALS	\$ 1,060,000	\$ 342,220	\$ 1,402,220

Stormwater Revenue Bonds			
Year	Principal	Interest	Total
2019	63,000	37,388	100,388
2020	67,000	35,353	102,353
2021	69,000	33,225	102,225
2022	72,000	31,018	103,018
2023	74,000	28,733	102,733
2024-2028	406,000	106,890	512,890
2029-2033	475,000	38,108	513,108
TOTALS	\$ 1,226,000	\$ 310,715	\$ 1,536,715

Other Debt			
Year	Principal	Interest	Total
2019	46,661	559	47,220
2020	37,273	373	37,646
2021	37,273	186	37,459
TOTALS	\$ 121,206	\$ 1,118	\$ 122,324

Note 5 - Pension Plans

Substantially all City full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) or Public Service Employees' Retirement System (PSERS) 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, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

At June 30, 2019 the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Employer Contribution	Net Pension Liability Ending Balance 12/31/2019	Net Pension Asset Ending Balance 12/31/2019
PERS 1 UAAL	0.007501%	\$ 53,783	\$ 288,440	\$ -
PERS 2 and 3	0.009680%	\$ 79,064	\$ 94,026	\$ -
PSERS 2	0.000000%	\$ -	\$ -	\$ -
LEOFF 1	0.001741%	\$ -	\$ -	\$ (34,413)
LEOFF 2	0.024014%	\$ 44,275	\$ -	\$ (556,331)
Totals		\$ 177,122	\$ 382,466	\$ (590,744)

Note 6 - Other Disclosures

a. Metropolitan Parks District

In 2010, the voters of Normandy Park approved a Metropolitan Parks District (MPD) to be operated by the same council as the City. The MPD is an entity separate from the City however; the City performs the duties for the MPD through an interlocal agreement. The City bills the MPD quarterly for services provided.

b. General Fund Reporting

Further, for the purpose of reporting clarity, the Arts Commission Fund (104), UIRC Fund (105), Anti-Drug Reserve Fund (120), Topiwala Bequest Fund (130) and the Equipment

Reserve/Replacement Fund (150) have been rolled into the General Fund (001) as these funds are substantially supported by the General Fund.

c. Other Post-Employment Benefits

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, nursing care, Medicare, etc. One retiree received benefits during the year and \$8,971.13 was paid out for those benefits during the year.

d. Related Party

The City of Normandy Park had an agreement with the Friends of Normandy Park Foundation (foundation) through December 31, 2018 for the promotion of tourism, community development and economic development. The City did not renew this agreement.

The foundation is a separate entity in the State of Washington. The City of Normandy Park is not financially accountable to the foundation, the foundation does not have an ongoing financial interest in the City, and the City is not financially dependent on the foundation.

Reserve Policy

In the 2009-2010 budget process, management stated a goal of maintaining a \$1,100,000 general fund reserve balance. This balance was management driven and not Council imposed. Due to the financial decline of the economy in 2009, management met with the Finance Committee. It was decided to allow the reserve drop below the \$1,100,000. It is the intention of management to re-establish the reserve in the future.

d. Litigation

On December 20, 2019, a claim totaling over \$19,000 was filed against the City for mudslide and debris deposits from storm water. Legal counsel stated that based on the circumstances and weather condition and report, they do not see liability on the City.

**City of Normandy Park
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO 2013	12/1/2032	875,000	-	875,000	-
263.51	Copier Lease		-	25,960	12,980	12,980
Total General Obligation Debt/Liabilities:			875,000	25,960	887,980	12,980
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Comp. Absences		158,324	86,410	34,007	210,727
264.30	Net Pension Liability		90,506	89,281	-	179,787
252.11	Stormwater Revenue Bond	6/1/2033	1,027,000	-	72,000	955,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,275,830	175,691	106,007	1,345,514
Total Liabilities:			2,150,830	201,651	993,987	1,358,494

**City of Normandy Park
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	Public Works Trust Fund Loan	6/1/2021	37,273	-	37,273	-
251.11	2013 LTGO Bonds	12/1/2032	940,000	-	65,000	875,000
Total General Obligation Debt/Liabilities:			977,273	-	102,273	875,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		190,009	35,673	67,358	158,324
264.30	Net Pension Liability		394,741	-	304,235	90,506
252.11	2018 Stormwater Revenue Bond	6/1/2033	1,096,000	-	69,000	1,027,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,680,750	35,673	440,593	1,275,830
Total Liabilities:			2,658,023	35,673	542,866	2,150,830

**City of Normandy Park
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	PWTF	6/1/2021	74,546	-	37,273	37,273
251.11	LTGO 2013	12/1/2032	1,000,000	-	60,000	940,000
Total General Obligation Debt/Liabilities:			1,074,546	-	97,273	977,273
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Comp. Absences		150,723	39,286	-	190,009
263.92	PSE	12/1/2019	893	-	893	-
264.30	Net Pension Liability		382,466	12,275	-	394,741
252.11	Stormwater Revenue Bond	6/1/2033	1,163,000	-	67,000	1,096,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,697,082	51,561	67,893	1,680,750
Total Liabilities:			2,771,628	51,561	165,166	2,658,023

**City of Normandy Park
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	PWTF	7/1/2021	149,640	-	37,273	112,367
251.11	LTGO 2013	12/1/2032	1,060,000	-	60,000	1,000,000
Total General Obligation Debt/Liabilities:			1,209,640	-	97,273	1,112,367
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Comp. Absences		302,223	-	151,500	150,723
263.92	PSE	12/1/2019	10,281	-	9,388	893
264.30	Net Pension Liability		462,724	-	80,258	382,466
252.11	Stormwater Revenue Bond	6/1/2033	1,226,000	-	63,000	1,163,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,001,228	-	304,146	1,697,082
Total Liabilities:			3,210,868	-	401,419	2,809,449

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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