



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Millwood

For the period January 1, 2021 through December 31, 2023

*Published March 31, 2025*

Report No. 1036726



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

March 31, 2025

Mayor and City Council  
City of Millwood  
Millwood, Washington

**Report on Financial Statements**

Please find attached our report on the City of Millwood'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

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

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

#### **City of Millwood January 1, 2021 through December 31, 2023**

Mayor and City Council  
City of Millwood  
Millwood, 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 Millwood, as of and for the years ended December 31, 2023, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 12, 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.

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

We noted certain other matters that we will report to the management of the City in a separate letter dated March 21, 2025.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

March 12, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Millwood January 1, 2021 through December 31, 2023**

Mayor and City Council  
City of Millwood  
Millwood, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Millwood, as of and for the years ended December 31, 2023, 2022 and 2021, 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 Millwood, and its changes in cash and investments, for the years ended December 31, 2023, 2022 and 2021, 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 Millwood, as of December 31, 2023, 2022 and 2021, 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 5 to the financial statements, in 2022, the City adopted new accounting guidance for presentation and disclosure of leases 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 March 12, 2025 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

March 12, 2025

## **FINANCIAL SECTION**

### **City of Millwood January 1, 2021 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
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#### **SUPPLEMENTARY AND OTHER INFORMATION**

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Schedule of Liabilities – 2022  
Schedule of Liabilities – 2021

**City of Millwood**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>301 Capital Projects Fund</b>	<b>302 Special Capital Projects Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	3,895,252	2,286,370	344,015	348,603
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,736,017	1,682,612	26,702	26,703
320	Licenses and Permits	39,795	39,795	-	-
330	Intergovernmental Revenues	224,289	224,289	-	-
340	Charges for Goods and Services	849,686	4,657	-	-
350	Fines and Penalties	2,410	2,410	-	-
360	Miscellaneous Revenues	30,928	18,320	-	-
Total Revenues:		2,883,125	1,972,083	26,702	26,703
<b>Expenditures</b>					
510	General Government	530,489	530,489	-	-
520	Public Safety	361,423	361,423	-	-
530	Utilities	753,680	-	-	-
540	Transportation	486,219	486,219	-	-
550	Natural/Economic Environment	172,681	172,681	-	-
560	Social Services	561	561	-	-
570	Culture and Recreation	143,177	143,177	-	-
Total Expenditures:		2,448,230	1,694,550	-	-
Excess (Deficiency) Revenues over Expenditures:		434,895	277,533	26,702	26,703
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	784	784	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		784	784	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	271,693	171,298	-	-
591-593, 599	Debt Service	21,779	-	-	-
597	Transfers-Out	784	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	161	161	-	-
Total Other Decreases in Fund Resources:		294,417	171,459	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>141,262</b>	<b>106,858</b>	<b>26,702</b>	<b>26,703</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	958,272	-	370,717	375,305
50841	Committed	45,487	-	-	-
50851	Assigned	639,532	-	-	-
50891	Unassigned	2,393,228	2,393,228	-	-
<b>Total Ending Cash and Investments</b>		<b>4,036,519</b>	<b>2,393,228</b>	<b>370,717</b>	<b>375,305</b>

The accompanying notes are an integral part of this statement.

**City of Millwood**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>401 Utility Fund</b>
		<hr/>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	916,264
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	845,029
350	Fines and Penalties	-
360	Miscellaneous Revenues	12,608
Total Revenues:		<hr/> 857,637
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	753,680
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 753,680
Excess (Deficiency) Revenues over Expenditures:		<hr/> 103,957
<b>Other Increases in Fund Resources</b>		
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:		<hr/> -
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	100,395
591-593, 599	Debt Service	21,779
597	Transfers-Out	784
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 122,958
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(19,001)</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	212,250
50841	Committed	45,487
50851	Assigned	639,532
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<hr/> <b>897,269</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>301 Capital Projects Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	3,796,149	1,871,190	156,845	264,221
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,778,816	1,619,744	-	79,794
320	Licenses and Permits	40,278	40,278	-	-
330	Intergovernmental Revenues	553,685	553,685	-	-
340	Charges for Goods and Services	753,450	3,418	-	-
350	Fines and Penalties	12,889	12,889	-	-
360	Miscellaneous Revenues	12,523	7,703	-	-
Total Revenues:		3,151,641	2,237,717	-	79,794
<b>Expenditures</b>					
510	General Government	567,635	567,635	-	-
520	Public Safety	364,094	364,094	-	-
530	Utilities	687,512	-	-	-
540	Transportation	374,686	374,686	-	-
550	Natural/Economic Environment	143,415	143,415	-	-
560	Social Services	711	711	-	-
570	Culture and Recreation	122,769	122,769	-	-
Total Expenditures:		2,260,822	1,573,310	-	-
Excess (Deficiency) Revenues over Expenditures:		890,819	664,407	-	79,794
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	157,390	157,390	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		157,390	157,390	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	769,253	406,205	-	-
591-593, 599	Debt Service	22,052	-	-	-
597	Transfers-Out	157,390	-	156,844	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	409	409	-	-
Total Other Decreases in Fund Resources:		949,104	406,614	156,844	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>99,105</b>	<b>415,183</b>	<b>(156,844)</b>	<b>79,794</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	870,181	-	-	344,015
50841	Committed	45,487	-	-	-
50851	Assigned	693,215	-	-	-
50891	Unassigned	2,286,369	2,286,369	-	-
<b>Total Ending Cash and Investments</b>		<b>3,895,252</b>	<b>2,286,369</b>	<b>-</b>	<b>344,015</b>

The accompanying notes are an integral part of this statement.

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

		<b>302 Special Capital Projects Fund</b>	<b>401 Utility Fund</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	269,325	1,234,568
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	79,278	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	750,032
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	4,820
Total Revenues:		79,278	754,852
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	687,512
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	687,512
Excess (Deficiency) Revenues over Expenditures:		79,278	67,340
<b>Other Increases in Fund Resources</b>			
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:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	363,048
591-593, 599	Debt Service	-	22,052
597	Transfers-Out	-	546
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	385,646
<b>Increase (Decrease) in Cash and Investments:</b>		<b>79,278</b>	<b>(318,306)</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	-
50831	Restricted	348,603	177,563
50841	Committed	-	45,487
50851	Assigned	-	693,215
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>348,603</b>	<b>916,265</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>301 Capital Projects Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	2,862,603	1,311,830	69,089	239,812
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,770,922	1,256,736	416,117	50,375
320	Licenses and Permits	44,945	7,297	37,648	-
330	Intergovernmental Revenues	829,389	365,965	463,424	-
340	Charges for Goods and Services	723,599	2,975	-	-
350	Fines and Penalties	2,098	2,098	-	-
360	Miscellaneous Revenues	110,257	26,978	1	(620)
Total Revenues:		3,481,210	1,662,049	917,190	49,755
<b>Expenditures</b>					
510	General Government	528,382	528,382	-	-
520	Public Safety	338,899	338,899	-	-
530	Utilities	558,517	-	-	-
540	Transportation	283,633	-	283,633	-
550	Natural/Economic Environment	117,264	117,264	-	-
560	Social Services	815	815	-	-
570	Culture and Recreation	78,634	78,634	-	-
Total Expenditures:		1,906,144	1,063,994	283,633	-
Excess (Deficiency) Revenues over Expenditures:		1,575,066	598,055	633,557	49,755
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	51,500	51,500	-	-
Total Other Increases in Fund Resources:		51,500	51,500	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	619,463	90,462	494,302	25,346
591-593, 599	Debt Service	22,325	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	51,231	(269)	51,500	-
Total Other Decreases in Fund Resources:		693,019	90,193	545,802	25,346
<b>Increase (Decrease) in Cash and Investments:</b>		<b>933,547</b>	<b>559,362</b>	<b>87,755</b>	<b>24,409</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,092,057	240,385	156,845	264,221
50841	Committed	45,487	-	-	-
50851	Assigned	1,027,800	-	-	-
50891	Unassigned	1,630,805	1,630,805	-	-
<b>Total Ending Cash and Investments</b>		<b>3,796,149</b>	<b>1,871,190</b>	<b>156,845</b>	<b>264,221</b>

The accompanying notes are an integral part of this statement.



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

		<b>302 Special Capital Projects Fund</b>	<b>401 Utility Fund</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	222,044	1,019,828
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	47,694	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	720,624
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	(413)	84,311
Total Revenues:		47,281	804,935
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	558,517
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	558,517
Excess (Deficiency) Revenues over Expenditures:		47,281	246,418
<b>Other Increases in Fund Resources</b>			
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:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	-	9,353
591-593, 599	Debt Service	-	22,325
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	31,678
<b>Increase (Decrease) in Cash and Investments:</b>		<b>47,281</b>	<b>214,740</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	-
50831	Restricted	269,325	161,281
50841	Committed	-	45,487
50851	Assigned	-	1,027,800
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>269,325</b>	<b>1,234,568</b>

*The accompanying notes are an integral part of this statement.*

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 1 - Summary of Significant Accounting Policies**

The City of Millwood was incorporated in 1928 and operates under the laws of the state of Washington applicable to a City. The city is a general-purpose local government and provides public safety, street improvements, parks and recreation, general administrative services, and a city owned water and sewer utility.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Enterprise Funds

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

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 individual cost of more than \$5,000 and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absence

Vacation leave may be accumulated up to 100 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid. The total unpaid Compensated Absence Liability as of December 31, 2023 is \$13,985.

F. Long-Term Debt

See Note 5 – *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund Name	Portion of	Portion of	Combined	Reason for Restriction or Commitment
	Ending Balance Restricted	Ending Balance Committed		
Fund 301	370,717		370,717	100% Restricted Revenues - REET 1
Fund 302	375,305		375,305	100% Restricted Revenues - REET 2
Fund 401	212,250	45,487	257,737	20% Restricted Revenues - DWSRF Contract \$45,487. Committed by City Ordinance
<i>Totals</i>	958,272	45,487	1,003,759	

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 2 - Budget Compliance**

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
General Fund (001)	2,100,895	1,866,009	234,886	
REET 1 (301)	-	-	-	
REET 2 (302)	-	-	-	
Utility Fund (401)	1,007,584	876,634	130,950	
<b>Totals</b>	<b>3,108,479</b>	<b>2,742,643</b>	<b>365,836</b>	

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

**Note 3 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type at December 31, 2023 are as follows:

Type of Deposit or Investment	City's own deposits & investments	Deposits & investments held by the (City, Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Deposits	3,034,731	0	3,034,731
Investments	1,001,788	0	1,001,788
<b>Totals</b>	<b>4,036,519</b>	<b>0</b>	<b>4,036,519</b>

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

**Custodial Credit Risk**

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

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

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 4 - Leases**

The city leases land from a private citizen in the amount of \$480 annually. The lease began August 1, 2021, and will end July 31, 2031.

The city fulfilled the terms of a copier lease from Copiers NW in the amount of \$1,575. The city entered into a copier lease agreement with H&H for \$170 per month under a 5-year lease agreement. The lease began July 24, 2023, and will end July 24, 2028.

The city leases mailing equipment from NW Mailing for \$352 per month under a 63-month lease agreement. The lease began September 21, 2021, and will end November 21, 2026.

The total amount paid for leases in the current reporting period and future lease payments for each of the five subsequent years and in five-year increments thereafter.

Year	Lease Payments
2024	9,343
2025	9,482
2026	9,273
2027	5,545
2028	480
2029-2033	960
2034-2038	
2039-2043	
2044-2048	
2049-2053	
2059-2063	
<i>Total</i>	35,082

**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 the year ended December 31, 2023.

The debt service requirements for the City's DWSRF loan are as follows:

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

Year	Principal	Interest	Total Debt Service
2024	18,225	3,260	21,484
2025	18,225	2,988	21,213
2026	18,225	2,717	20,941
2027	18,225	2,445	20,669
2028	18,225	2,173	20,398
2029-2033	91,123	6,791	97,914
2034-2035	34,619	815	35,434
<i>Totals</i>	216,864	21,189	238,053

**Note 6 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS and Deferred Comp

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

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2023 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1			2,282,732,000	-	
PERS 1 UAAL	24121.21	0.00354000%	2,282,732,000	80,809	
PERS 2/3	40155.92	0.00456700%	(4,098,683,000)		(187,187)
		<i>Totals</i>		\$ 80,809	\$ (187,187)

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

**Note 7 - Property Tax**

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

Property Tax Calendar	
January 01	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax Bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment due

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

The city's regular levy for the year 2023 was \$1.119524 per \$1,000 on an assessed valuation of \$408,673,033 for a total regular levy of \$457,519.

**Note 8 – Risk Management**

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

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2023**

earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

The City of Millwood self-insured for purposes of Unemployment compensation. The City operates on a reimbursement basis with the Department of Employment Security. The City had Unemployment no claims in 2022.

## **Note 9 – Other Disclosures**

### *Construction Commitments*

The City plans to continue work on the Argonne Congestion project in 2025 with the addition of left turn pockets and new signaling. The projected expenditure for this project will be approximately \$4.7 million.

### *Employee Benefits*

The City's participation in a 457(b) deferred compensation plan had an ending balance of \$85,275.88.



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

**Note 1 - Summary of Significant Accounting Policies**

The City of Millwood was incorporated in 1928 and operates under the laws of the state of Washington applicable to a City. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, general administrative services, and a city owned water & sewer utility.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 4 - *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absence

Vacation leave may be accumulated up to 100 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid. The total unpaid Compensated Absence Liability as of December 31, 2022 is \$16,993.

F. Long-Term Debt

See Note 7 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

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

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
Fund 301	344,015		344,015	100% Restricted Revenues - REET 1
Fund 302	348,603		348,603	100% Restricted Revenues - REET 2
Fund 401	177,563	45,487	223,050	12% Restricted Current Revenues - DWSRF Contract 4% Committed by City Ordinance
<i>Totals</i>	870,181	45,487	915,668	

**Note 2 - Budget Compliance**

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - General Fund	2,347,915	1,979,924	367,991	
101 Street Fund	157,575	-	157,575	City Council closed the Street Fund via Ord 533.
301 Capital Project Fund			-	
302 Special Capital Projects	-	-	-	
401 - Utility Fund	1,155,946	1,073,156	82,790	
<i>Total</i>	<i>\$ 3,661,436</i>	<i>\$ 3,053,080</i>	<i>\$ 608,356</i>	

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

**Note 3 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City of Millwood received \$251,479 in Local Fiscal Recovery Funds. The city funded two community assistance programs in response to the COVID-19 pandemic. The city dedicated \$6,500 to Utility Assistance Grants, \$7,500 to local Non-Profit agencies to help individuals and families who were left unhoused due to the COVID-19 pandemic and \$155,000 to purchase and install a natural gas generator to power the largest well pump. At the close of the fiscal year the city awarded Utility Assistance Grants totaling \$6,324 to residents and local businesses and \$7,500 to Non-Profit agencies

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

impacted by pandemic related closures. The city had expenditures in the amount of \$136,275 for the purchase of a natural gas generator for New Park Well.

All remaining program funds were reported as Revenue Loss in 2022.

**Note 4 – Deposits and Investments**

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

Type of Deposit or Investment	City's own deposits & investments	Deposits & investments held by the City as custodian for other local governments, individuals, or private organizations.	Combined
Deposits	2,393,761		2,393,761
US Bank Bond Investments	1,501,491		1,501,491
<i>Totals</i>	<i>\$ 3,895,252</i>	<i>\$ -</i>	<i>\$ 3,895,252</i>

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

Custodial Credit Risk

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

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

**Note 5 – Leases**

The city leases land from a private citizen in the amount of \$480 annually. The lease began August 1, 2021, and will end July 31, 2031.

The city leases a copier from Copiers NW in the amount of \$2,700 annually. The lease began July 3, 2018, and will end July 3, 2023.

The city leases mailing equipment from NW Mailing in the amount of \$4,228 annually. The lease began September 21, 2021, and will end November 21, 2026.

The city has a beautification ground lease with Union Pacific Railroad in the amount of \$3,377 in 2022 with a 3% increase cumulative and compounded annually. The lease began March 1, 2018 and will end March 1, 2028.

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

Year	Lease Payments
2023	10,449
2024	9,343
2025	9,482
2026	9,273
2027	5,545
2028-2032	1,440
<i>Total</i>	<i>45,531</i>

**Note 6 - Interfund Loans**

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Beginning Balance	New Loans	Payments	Ending Balance
Street Fund	General Fund	\$150,000	-	\$150,000	\$0

The city satisfied the interfund loan from the General fund to the Street fund as part of the execution of Ordinance #533 closing the Special Revenue (Street) fund and providing for transportation activities within the General fund.

**Note 7 – 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 City's revenue loan are as follows:

Year	Principal	Interest	Total Debt Service
2023	18,225	3,526	21,751
2024	18,225	3,253	21,477
2025	18,225	2,980	21,204
2026	18,225	2,706	20,931
2027	18,225	2,433	20,657
2028-2032	91,123	8,064	99,186
2033-2035	52,843	1,558	54,401
<i>Totals</i>	<i>\$ 235,088</i>	<i>\$ 24,520</i>	<i>\$ 259,608</i>

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

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS and Deferred Comp

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

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL/NPA
PERS 1 UAAL	17,122.00	0.002794%	2,784,367,000	77,795
PERS 2/3	29,351.67	0.003654%	(3,708,781,000)	(135,519)
		<i>Totals</i>		\$ (57,724)

**Note 9 - Property Tax**

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

Property Tax Calendar	
January 01	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax Bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment due

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

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 \$1.352242 per \$1,000 on an assessed valuation of \$332,367,746 for a total regular levy of \$449,442.

**Note 10 – Risk Management**

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

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. 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.

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

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

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

The City of Millwood self-insured for purposes of Unemployment compensation. The City operates on a reimbursement basis with the Department of Employment Security. The City had Unemployment no claims in 2022.

**Note 11 – Other Disclosures**

*Construction Commitments*

The City plans to continue work on the Argonne Congestion project in 2023 with the addition of left turn lanes. The projected expenditure for this project will be approximately \$3.74 million.

*Employee Benefits*

The City's participation in a 457(b) deferred compensation plan had an ending balance of \$86,075.



**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

**Note 1 - Summary of Significant Accounting Policies**

The City of Millwood was incorporated in 1928 and operates under the laws of the state of Washington applicable to a City. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, general administrative services, and a city owned water & sewer utility.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 4 - *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absence

Vacation leave may be accumulated up to 100 hours and is payable upon separation or retirement. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. The total unpaid Compensated Absence Liability as of December 31, 2021 is \$14,807.

F. Long-Term Debt

See Note 6 – *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
Fund 001	240,385	0	240,385	13% Restricted Current Revenues - ARPA Funds
Fund 101	156,845		156,845	51% Restricted Current Revenues - Grants and MVFT
Fund 301	264,221		264,221	Restricted Revenue Source
Fund 302	269,325		269,325	Restricted Revenue Source
Fund 401	161,281	45,487	206,768	Bond Covenants, Adopted Ordinance
<i>Totals</i>	1,092,057	45,487	1,137,544	

**Note 2 - Budget Compliance**

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001 - General Fund	1,493,927	1,154,189	339,738	
101 - Street Fund	938,429	829,434	108,995	
301 - Capital Projects Fund	80,000	25,346	54,654	
401 - Utility Fund	1,041,555	590,193	451,362	
<i>Total</i>	<i>\$ 3,553,911</i>	<i>\$ 2,599,162</i>	<i>\$ 954,749</i>	

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

**Note 3 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City of Millwood received \$251,479 in Local Fiscal Recovery Funds. The city funded two community assistance programs in response to the COVID-19 pandemic. The city dedicated \$50,000 to Utility Assistance Grants, \$15,000 to local Non-Profit agencies to help individuals and families who were left homeless due to the COVID-19 pandemic and \$155,000 to purchase a natural gas generator to power the largest well pump. At the close of the fiscal year the city awarded twenty-four Utility Assistance Grants totaling \$11,094 to residents and local businesses impacted by pandemic related closures.

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

All remaining dedicated program funds were budgeted in 2022.

**Note 4 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	City's own deposits & investments	Deposits & investments held by the City as custodian for other local governments, individuals, or private organizations.	Combined
Deposits	2,294,658		2,294,658
US Bank Bond Investments	1,501,491		1,501,491
<i>Totals</i>	<b>\$ 3,796,149</b>	<b>\$ -</b>	<b>\$ 3,796,149</b>

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

Custodial Credit Risk

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

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

**Note 5 - Interfund Loans**

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Beginning Balance	New Loans	Payments	Ending Balance
Street Fund	General Fund	\$200,000	-	\$50,000	\$150,000

**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 loan requirements for the City's loan are as follows:

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

Year	Principal	Interest	Total Debt Service
2022	18,225	3,800	22,024
2023	18,225	3,526	21,751
2024	18,225	3,253	21,477
2025	18,225	2,980	21,204
2026	18,225	2,706	20,931
2027-2031	91,123	9,431	100,553
2032-2036	71,068	2,624	73,691
<b>Totals</b>	<b>\$ 253,313</b>	<b>\$ 28,319</b>	<b>\$ 281,632</b>

**Note 7 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS and Deferred Comp

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

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2020 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL
PERS 1 UAAL	23,547.00	0.003161%	1,221,237,000	38,603
PERS 2/3	38,439.00	0.004058%	(9,961,609,000)	(404,242)
		<b>Totals</b>		<b>\$ (365,639)</b>

**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

**Note 8 - Property Tax**

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

Property Tax Calendar	
January 01	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax Bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment due

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 \$1.418825 per \$1,000 on an assessed valuation of \$312,052,156 for a total regular levy of \$442,747.

**Note 9 – Risk Management**

The City of Millwood 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.

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**City of Millwood**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

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

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

The City of Millwood self-insured for purposes of Unemployment compensation. The City operates on a reimbursement basis with the Department of Employment Security. The City had Unemployment no claims in 2021

**Note 10 – Other Disclosures**

*Construction Commitments*

The City plans to continue work on the Argonne Congestion project in 2022 with the addition of left turn lanes. The projected expenditure for this project will be approximately \$2.27 million.

*Employee Benefits*

The City's participation in a 457(b) deferred compensation plan had an ending balance of \$80,437.

**City of Millwood  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		16,993	-	3,008	13,985
263.82	DWSRF Buckeye	12/31/2035	235,088	-	18,225	216,863
264.30	Pension Liability		77,795	3,014	-	80,809
263.57	Copy Machine Lease	7/3/2023	1,575	-	1,575	-
263.57	Copy Machine Lease	7/24/2028	-	10,200	850	9,350
263.57	Mailing Equipment Lease	9/21/2026	16,559	-	4,228	12,331
263.57	Ground Lease - King	7/31/2031	4,800	-	1,440	3,360
263.57	UPRR Beautification Lease	3/1/2028	23,891	-	4,500	19,391
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>376,701</b>	<b>13,214</b>	<b>33,826</b>	<b>356,089</b>
<b>Total Liabilities:</b>			<b>376,701</b>	<b>13,214</b>	<b>33,826</b>	<b>356,089</b>



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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		14,807	2,186	-	16,993
264.30	Pension Liability		38,603	39,192	-	77,795
263.82	DWSRF Buckey	12/31/2035	253,313	-	18,225	235,088
263.57	Copy Machine	7/3/2023	4,275	-	2,700	1,575
263.57	Mailing Equipment	11/21/2026	20,787	-	4,228	16,559
263.57	Ground Lease - King	7/31/2031	4,800	-	-	4,800
263.57	UPRR Industrial Lease	3/1/2028	27,268	-	3,377	23,891
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>363,853</b>	<b>41,378</b>	<b>28,530</b>	<b>376,701</b>
<b>Total Liabilities:</b>			<b>363,853</b>	<b>41,378</b>	<b>28,530</b>	<b>376,701</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		12,877	1,930	-	14,807
264.30	Pension Liability		173,131	-	134,528	38,603
263.82	DWSRF Buckeye	12/31/2035	269,015	2,522	18,224	253,313
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>455,023</b>	<b>4,452</b>	<b>152,752</b>	<b>306,723</b>
<b>Total Liabilities:</b>			<b>455,023</b>	<b>4,452</b>	<b>152,752</b>	<b>306,723</b>

## 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](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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

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