



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Gig Harbor

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

Published March 31, 2025

Report No. 1036914



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

March 31, 2025

Mayor and City Council
City of Gig Harbor
Gig Harbor, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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

City of Gig Harbor January 1, 2023 through December 31, 2023

Mayor and City Council
City of Gig Harbor
Gig Harbor, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gig Harbor, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated March 24, 2025.

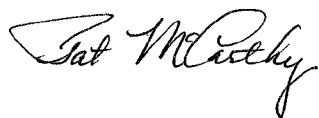
REPORT ON COMPLIANCE AND OTHER MATTERS

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Gig Harbor January 1, 2023 through December 31, 2023

Mayor and City Council
City of Gig Harbor
Gig Harbor, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gig Harbor, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gig Harbor, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

The other information comprises Parity Bond Debt Service Coverage but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included with the financial statements. Our opinions on the basic financial statements do not cover this other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2025

FINANCIAL SECTION

City of Gig Harbor January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Activities – 2023

Governmental Funds Balance Sheet – 2023

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental
Funds – 2023

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2023

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2023

Statement of Net Position – Proprietary Funds – 2023

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2023

Statement of Cash Flows – Proprietary Funds – 2023

Notes to the Basic Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– General Fund – 2023

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– Street Operating Fund – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2023

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1, LEOFF 2 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2023

OTHER INFORMATION

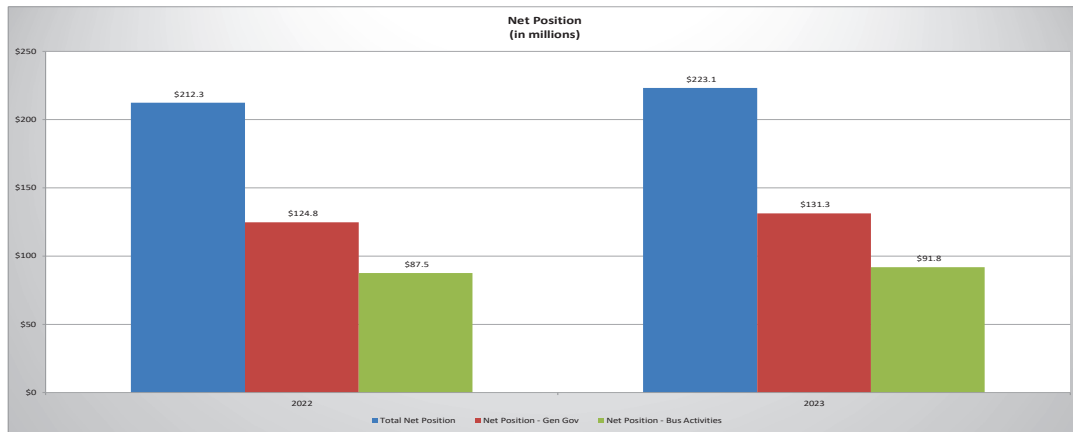
Parity Bond Debt Service Coverage – 2023

City of Gig Harbor
Management Discussion and Analysis
December 31, 2023

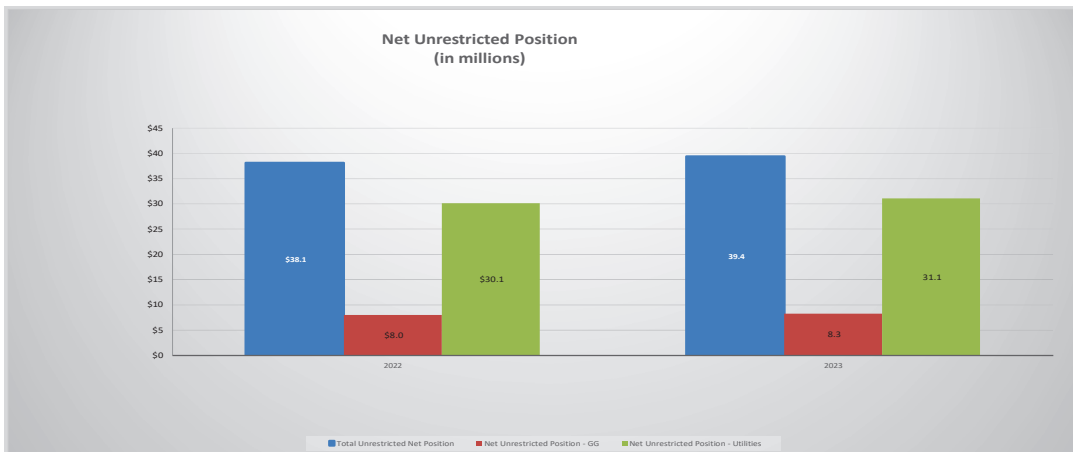
This discussion and analysis provide an overview of the City of Gig Harbor's annual financial report for the fiscal year ended December 31, 2023. The city's financial performance is discussed and analyzed within the context of the accompanying financial statements.

Financial Highlights

- The city's total net position including all funds is \$223.1 million. This is a \$10.7 million or five percent increase over the prior year.



- Net unrestricted position increased \$1.3 million in 2023 to \$39.4 million.



- Net investment in capital assets increased from \$152.9 million to \$154.7 million.
- Net capital assets increased from \$172.5 million to \$176.3 million in 2023.
- Net pension assets decreased from \$3.8 million in 2021 to \$2.3 million in 2023.

**City of Gig Harbor
Management Discussion and Analysis
December 31, 2023**

- City-wide tax revenues in 2023 were \$20.4 million. This is a decrease from \$21.4 million in 2022.
- Cash and investments are \$68.0 million. This is an \$8.5 million increase from \$59.5 million in 2022. Governmental activities account for \$38.3 million of year-end cash and investments while business-type activities account for the remaining balance of \$29.7 million.
- City-wide short-term liabilities (due in 2024, excluding short-term portion of long-term debt and an interfund loan) are \$2.8 million.
- The city has total liabilities of \$31.3 million. This includes \$3.0 million in OPEB and pension liability and \$22.9 million in long-term debt.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Gig Harbor's basic financial statements. These statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements.

This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves; and supplementary information that provides parity bond debt service coverage information.

Government-wide financial statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the city's finances.

The **statement of net position** presents information on all the city's assets and liabilities, including capital assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city as a whole is improving or deteriorating.

The **statement of activities** presents information showing how the city's net position has changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Both government-wide financial statements distinguish functions of the city that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the city include general government, police, community development, planning, judicial, street maintenance and community services. The business-type activities of the city include a water/sewer utility and a storm drainage utility.

City of Gig Harbor
Management Discussion and Analysis
December 31, 2023

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds of the city can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements are accounted for using the modified accrual basis of accounting, which focuses on near-term inflow and outflow of liquid resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The city maintains 20 individual governmental funds. Information is presented separately, as major funds, in the governmental funds' balance sheet and statement of revenues, expenditures and changes in fund balances for the General (*Public Art Capital Projects, Strategic Reserve, Equipment Reserve, Senior Services, Donations and Pedestrian Safety funds are consolidated into the general fund for reporting purposes*), Street Operating, Hospital Benefit and LTGO Bond Redemption funds. Data for the other governmental funds (*Non-Major Funds*) are combined into a single, aggregated presentation which is referred to in the statements as "other governmental."

The city adopts an annually appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the general and street operating funds are included with the basic financial statements in the required supplementary information section.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The city uses enterprise funds to account for water, sewer, and storm drainage operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the city.

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

**City of Gig Harbor
Management Discussion and Analysis
December 31, 2023**

Government-wide Financial Analysis

General governmental activities

At year-end, the city's net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources) was \$223.1 million. This is a \$10.8 million or five percent increase over 2022 and reflects the continuing growth occurring in Gig Harbor and the surrounding area. Governmental activities make up \$131.3 million of this balance while the city's business-type activities (water/sewer and storm) own the remaining balance of \$91.7 million.

The city reports net position in three categories: "Net investment in capital assets," "Restricted," and "Unrestricted."

The largest portion of the city's governmental net position (\$96.4 million) is accounted for in the net investment in capital assets category. This amount is net of any related outstanding debt that was used to acquire or build capital assets. The city's capital assets are used to provide a variety of services to its citizens; therefore, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources (mostly operating revenues), since the capital assets themselves cannot be used to liquidate these liabilities.

The next category is restricted net position. This represents assets that are restricted as to their use by an external source. One example of this would be the proceeds of a bond issue which are restricted to build a project for which the bonds were sold, or monies placed into the bond reserve fund. At December 31, 2023, \$26.6 million of the city's governmental net position was restricted. Most of this is related to assets in the Hospital Benefit Zone fund and the non-major Impact Fee Trust fund and is reserved for capital construction. The city's equity in pension assets held by the State of Washington is \$1.5 million.

The final category is unrestricted net position and may be used to meet the city's ongoing obligations to city programs, services, and creditors. The city's governmental unrestricted net position is \$8.3 million at 12/31/2023. This is a \$400,000 decrease from the prior year.

City-wide governmental operating revenues (general revenues plus program revenues excluding grants and contributions) decreased from \$25.0 million in 2022 to \$24.1 million in 2023. The major portion of the decrease is related to a decline in permit fee revenue. Operating grants were \$3.2 million and capital grants and contributions were \$1.4 million in 2023.

City of Gig Harbor
Management Discussion and Analysis
December 31, 2023

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 41,140,014	\$ 31,500,850	\$34,169,267	\$ 33,089,891	\$ 75,309,281	\$ 64,590,741
Capital assets, net	101,650,698	99,300,245	74,601,797	73,215,084	176,252,495	172,515,329
Net pension asset	1,483,669	2,948,887	844,214	820,482	2,327,883	3,769,369
Total assets	144,274,381	133,749,982	109,615,278	107,125,457	253,889,659	240,875,439
Liabilities						
Deferred charge on refunding	-	-	317,631	363,007	317,631	363,007
Deferred outflows related to OPEB	13,862	13,862	-	-	13,862	13,862
Deferred outflows related to pension	1,023,102	2,016,750	682,068	797,764	1,705,170	2,814,514
Deferred outflow of resources	1,036,964	2,030,612	999,699	1,160,771	2,036,663	3,191,383
Other liabilities	4,591,897	4,494,398	828,648	604,982	5,420,545	5,099,380
Long-term liabilities	8,375,742	4,339,766	17,532,511	19,298,970	25,908,253	23,638,736
Total liabilities	12,967,639	8,834,164	18,361,159	19,903,952	31,328,798	28,738,116
Deferred inflows related to leases	214,565	-	-	-	214,565	-
Deferred inflows related to pensions	780,783	2,095,528	510,914	888,882	1,291,697	2,984,410
Deferred inflow of resources	995,348	2,095,528	510,914	888,882	1,506,262	2,984,410
Net position						
Net investment in capital assets	96,433,240	97,878,844	58,261,998	54,988,183	154,695,238	152,867,027
Restricted	26,613,986	18,983,123	2,345,631	2,354,745	28,959,617	21,337,868
Unrestricted	8,301,132	7,988,935	31,135,275	30,150,466	39,436,407	38,139,401
Total net position	\$131,348,358	\$124,850,902	\$91,742,904	\$87,493,394	\$223,091,262	\$212,344,296

General government expenses increased from \$19.2 million in 2022 to \$21.9 million in 2023. The is largely due to increases in Community Development and Public Safety.

Business activities

Total net position for the city's business-type activities (Water/Sewer and Storm) ended the year at 91.7 million. This is a five percent increase over the prior year amount of \$87.5 million.

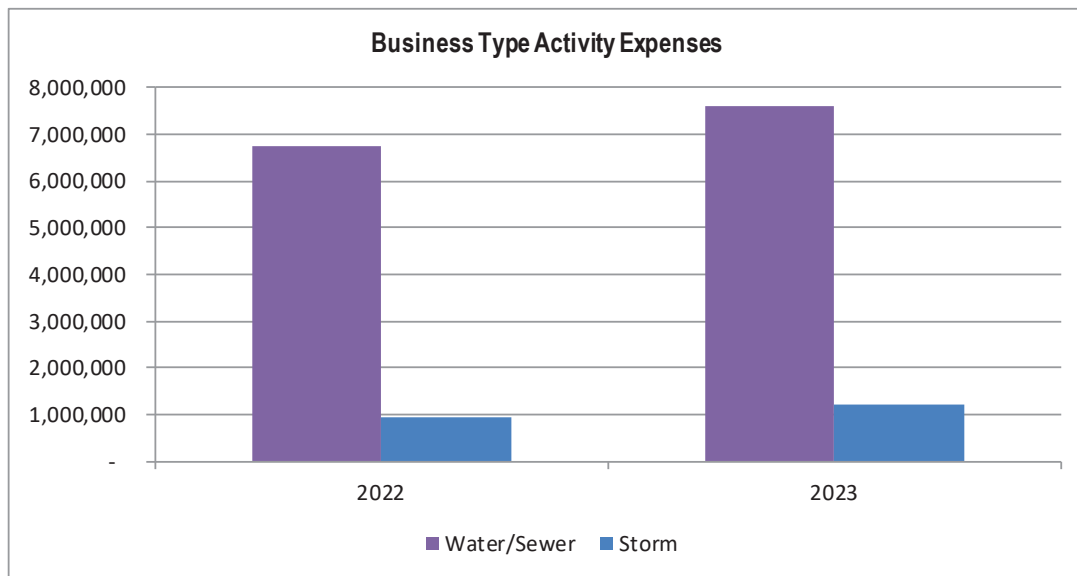
Net investment in capital assets increased from \$55.0 million in 2022 to \$58.3 million in 2023.

**City of Gig Harbor
Management Discussion and Analysis
December 31, 2023**

Restricted net position in the business-type activities is \$2.4 million. The restriction is due to revenue bond covenants for debt service on the outstanding revenue bonds and pension assets. The remaining balance of net position in the amount of \$31.1 million is unrestricted. This is an increase from the prior year.

Business-type charges for services revenues were \$11.5 million as compared to \$10.3 million in 2022; while connection fees were \$428,231. Overall revenues from business-type activities decreased \$231,000 in 2023. The entire decrease is due to a \$2.4 million decline in connection fees in 2023.

Operating expenses for city-wide business activities increased from \$8.1 million in 2022 to \$9.2 million in 2023. The increase is due to increased staffing and related activity.



City of Gig Harbor
Management Discussion and Analysis
December 31, 2023

Table 2
Changes in net position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Program revenues						
Charges for services	\$ 1,658,572	\$ 2,986,334	\$11,504,216	\$10,343,231	\$ 13,162,788	\$ 13,329,565
Operating grants/contributions	3,155,866	421,695	101,942	39,515	3,257,808	461,210
Capital grants/contributions	1,362,601	938,824	428,231	2,843,598	1,790,832	3,782,422
General revenues						
Sales and use tax	13,614,598	13,989,716	-	-	13,614,598	13,989,716
Property tax	3,634,409	3,457,903	-	-	3,634,409	3,457,903
Other taxes	3,144,632	3,977,283	-	-	3,144,632	3,977,283
Other revenues	1,852,079	575,876	1,406,728	445,867	3,258,807	1,021,743
Total revenues	\$ 28,422,757	\$ 26,347,631	\$13,441,117	\$13,672,211	\$ 41,863,874	\$ 40,019,842
Program expenses						
Judicial	680,578	483,124	-	-	680,578	483,124
General government	4,146,176	3,652,985	-	-	4,146,176	3,652,985
Public safety	5,195,044	4,220,832	-	-	5,195,044	4,220,832
Physical Environment/Utilities	11,976	10,843	9,191,607	8,080,581	9,203,583	8,091,424
Transportation	5,152,497	6,387,819	-	-	5,152,497	6,387,819
Economic Environment	3,681,030	2,323,326	-	-	3,681,030	2,323,326
Culture & Recreation	2,843,987	2,053,593	-	-	2,843,987	2,053,593
Interest on long-term debt	214,013	45,847	-	-	214,013	45,847
Total Expenses	21,925,301	19,178,369	9,191,607	8,080,581	31,116,908	27,258,950
Transfers	-	-	-	-	-	-
Increase in net position	\$ 6,497,456	\$ 7,169,262	\$ 4,249,510	\$ 5,591,630	\$ 10,746,966	\$ 12,760,892
Net position, January 1	124,850,902	117,681,640	87,493,394	81,901,764	212,344,296	199,583,404
Net position, December 31	\$ 131,348,358	\$ 124,850,902	\$91,742,904	\$87,493,394	\$223,091,262	\$212,344,296

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

At the end of 2023, the city's governmental funds had a combined ending fund balance of \$36.3 million. This is a \$9.4 million increase from 2022. Most of this increase, \$9.0 million, is related to restricted capital funds.

City of Gig Harbor
Management Discussion and Analysis
December 31, 2023

General governmental revenues were \$28.2 million in 2023. This is a \$2.2 million increase from 2022 and is due to recognition of ARPA grants as revenue in 2023.

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

As of the end of 2023, the city's governmental funds reported total ending fund balances of \$36.3 million. Of the total ending governmental fund balances, \$13.1 million belongs to the General fund. Of the remaining major funds, the largest portion of ending fund balance (\$8.3 million) is reported in the Hospital Benefit Zone. Ending fund balance for Other Governmental funds (an aggregation of the city's non-major funds) is \$16.8 million. Most of this balance (\$16.7 million) is restricted for capital projects, debt service, public safety and economic development.

General fund revenues were \$20.5 million in 2023. This is a \$3.8 million increase from 2022. The entire amount is due to ARPA and local conservation futures grants. Expenditures increased from \$12.0 to \$14.4 million for the same period.

The table below shows a year-to-year comparison of expenditures by function.

	2022	2023	Increase / (Decrease)
Judicial	\$ 525,419	\$ 583,271	\$ 57,852
General government	3,432,790	3,458,702	25,912
Security of persons and property	4,335,111	4,974,489	639,378
Physical environment	10,843	11,976	1,133
Economic environment	2,103,211	2,543,378	440,167
Mental and physical health	14,477	13,700	(777)
Culture and recreation	1,207,862	1,485,733	277,871
Debt service	-	119,090	119,090
Capital outlay	414,919	1,615,126	1,200,207
	<u>\$ 12,044,632</u>	<u>\$ 14,805,465</u>	<u>\$ 2,760,833</u>

Most of the increases in the general fund are a result of hiring and filling out the city's workforce. The increase in Judicial function is due to the Blake Decision which required the city to refund certain past drug possession conviction fees which were collected.

General government includes operating expenses of the City Council, Administration (which includes City Clerk, administration, human resources, finance, legal and information services), all non-departmental costs and operation of the civic center. Security of persons and property includes police department activities, fire related expenses and jail costs. Economic environment includes all costs related to planning, building inspection, fire inspection and code enforcement activities. Culture and

**City of Gig Harbor
Management Discussion and Analysis
December 31, 2023**

recreation includes all park operations, programming and maintenance. Capital outlays are major purchases or projects.

The city's remaining major funds: Street Operating, Hospital Benefit Zone and LTGO Bond Redemption funded through general fund contributions and/or special project-related revenue sources such as state distributions, impact fees, general obligation bonds and state and federal grants.

BUDGETARY HIGHLIGHTS

General Fund Budget Analysis: The following is a brief review of the changes from the adopted to the amended final budget for the General Fund.

The General Fund budget was amended in December 2023 to reflect declining development-related revenues throughout 2023 and restate budgeted beginning balances to actual.

Proprietary Funds. The city's proprietary funds provide the same type of information found in the government-wide financial statements business-type activities column, but in more detail. The Water-Sewer and Storm Utility's combined net position was \$91.7 million at year-end (Water/Sewer - \$82.0 million & Storm - \$9.8 million). Of this amount, \$31.1 million is unrestricted and available to meet future obligations. The utilities also have \$58.3 million net investment in capital assets and \$2.3 million restricted for revenue bond debt service and pensions.

Water and sewer monthly (billed bi-monthly) revenues increased to \$9.9 million in 2023. General facilities charges (connection fees) for water and sewer were \$389,000. Storm sewer revenues for monthly service and system connections were \$1.6 million and \$40,000 respectively.

Water & sewer operating expenses were \$7.6 million. This is a \$900,000 increase from 2022. Storm operating expenses in 2023 were \$1.2 million as compared with \$924,00 in 2022.

Capital Asset and Debt Administration

Capital assets.

The City of Gig Harbor's net capital assets for governmental and business-type activities as of December 31, 2023, total \$176.2 million. The city's governmental activities own \$101.7 million of this total and the Water-Sewer-Storm system owns \$74.5 million of the total. Capital assets are land and related land improvements, buildings and park facilities, machinery and equipment, right-to-use leased assets and software subscriptions, streets and utility infrastructure.

Major capital projects identified in the city's comprehensive plan are funded from several sources in addition to the general fund revenues; these are: transportation and park impact fees, a one-half of one percent real estate excise tax charged on the sale of real property, grants, utility connection fees and monthly user charges. Long-term debt is also considered to fund capital asset acquisitions.

City of Gig Harbor
Management Discussion and Analysis
December 31, 2023

Additional information on the city's capital assets can be found in Notes to the Basic Financial Statements, note 6.

Long-term debt.

The city has the following types of debt outstanding at December 31, 2023; unlimited (voted) general obligation bonds (UTGO), limited general obligation bonds (LTGO), revenue bonds and public works trust fund loans (PWTF). A special property tax levy is pledged to service UTGO debt, general revenues (sales, property and utility taxes) are pledged to service LTGO debt, and specific revenue sources (utility rates) are pledged to repay revenue and PWTF debt. The PWTF debt is subordinate to the revenue bond debt.

At fiscal year-end the city had \$20,490,242 in outstanding long-term debt, not including premiums of \$957,18 on bonds payable, other post-employment benefits, net pension liability and compensated absences.

Additional information on the city's long-term debt can be found in Notes to the Basic Financial Statements, note 9.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
LTGO bonds	\$ 673,000	\$ 894,000	\$ -	\$ -	\$ 673,000	\$ 894,000
UTGO bonds	256,000	503,000	-	-	256,000	503,000
Water/Sewer Revenue bonds	-	-	11,527,188	12,654,486	11,527,188	12,654,486
PWTF	-	-	5,130,242	5,935,560	5,130,242	5,935,560
Total	\$ 929,000	\$ 1,397,000	\$16,657,430	\$18,590,046	\$17,586,430	\$19,987,046

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the city's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Gig Harbor Finance Department, 3510 Grandview Street, Gig Harbor, WA 98335.

City of Gig Harbor
Statement of Net Position
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 30,271,188	\$ 17,660,874	\$ 47,932,062
Investments	8,036,947	12,072,552	20,109,499
Receivables			
Taxes	2,526,471	-	2,526,471
Accounts and contracts	305,408	1,787,175	2,092,583
Interfund loan receivable	-	\$ 2,648,666	2,648,666
Capital assets not being depreciated			
Land	30,563,261	848,333	31,411,595
Construction in progress	7,973,832	6,383,648	14,357,480
Capital assets net of accumulated depreciation:			
Buildings	9,633,684	22,091,520	31,725,205
Improvements other than buildings	15,441,509	25,337,032	40,778,541
Machinery and equipment	1,473,952	1,132,008	2,605,960
Infrastructure	36,185,438	18,731,554	54,916,993
Right to use assets-leases	104,178	21,581	125,759
Right to use assets-Subscriptions	274,843	56,120	330,963
Net pension asset	1,483,669	844,214	2,327,883
Total assets	144,274,381	109,615,278	253,889,659
Deferred outflows of resources			
Deferred charge on refunding	-	317,631	317,631
Deferred outflows - OPEB	13,862	-	13,862
Deferred outflows - pensions	1,023,102	682,068	1,705,170
Total deferred outflows of resources	1,036,964	999,699	2,036,663
Liabilities			
Accounts payable	1,851,055	668,026	2,519,081
Other Payables	92,176	48,874	141,050
Bond interest payable	-	111,748	111,748
Interfund loan payable	2,648,666	-	2,648,666
Noncurrent liabilities:			
Due within one year	1,097,629	1,876,437	2,974,066
Due in more than one year	4,805,475	15,109,460	19,914,935
Total OPEB Liability	1,652,717	-	1,652,717
Net pension liability	819,921	546,614	1,366,535
Total liabilities	12,967,639	18,361,159	31,328,798
Deferred inflows of resources			
Deferred inflows - leases/other	214,565	-	214,565
Deferred inflows - pensions	780,783	510,914	1,291,697
Total deferred inflows of resources	995,348	510,914	1,506,262
Net position			
Net investment in capital assets	96,433,240	58,261,998	154,695,238
Restricted for:			
Capital acquisition	23,484,200	-	23,484,200
Debt service	325,669	1,501,417	1,827,086
Pensions	1,483,669	844,214	2,327,883
Other	1,320,448	-	1,320,448
Unrestricted	8,301,132	31,135,275	39,436,407
Total net position	\$ 131,348,358	\$ 91,742,904	\$ 223,091,262

The accompanying notes are an integral part of these statements.

**City of Gig Harbor
Statement of Activities
Year Ended December 31, 2023**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					Business-type Activities
Judicial	\$ 680,578	\$ 95,479	\$ 33,599	\$ -	\$ -
General government	4,146,176	382,757	-	-	(551,500)
Public safety	5,195,044	-	2,662,558	-	(3,763,419)
Physical environment/utilities	11,976	-	-	-	(2,532,486)
Transportation	5,152,497	356,630	248,476	178,300	(11,976)
Economic environment	3,681,030	671,280	198,233	-	(4,369,091)
Culture & recreation	2,843,987	152,426	13,000	1,184,301	(2,811,517)
Interest on long-term debt	214,013	-	-	-	(1,494,260)
Total governmental activities	21,925,301	1,658,572	3,155,866	1,362,601	(214,013)
Business-type activities:					(15,748,262)
Water	2,720,699	3,185,929	-	242,209	707,439
Sewer	5,264,813	6,726,699	66,457	146,444	1,674,787
Storm water	1,206,095	1,591,588	35,485	39,578	460,556
Total business-type activities	9,191,607	11,504,216	101,942	428,231	2,842,782
Total government	\$ 31,116,908	\$ 13,162,788	\$ 3,257,808	\$ 1,790,832	\$ (12,905,480)
General revenues:					
Taxes:					
Property taxes					\$ 3,634,409
Retail sales taxes					-
Business taxes					13,614,598
Excise & other taxes					2,115,629
Miscellaneous - ind. investment earnings					-
Total general revenues					1,406,728
Change in net position					1,406,728
Net position - beginning					23,652,446
Net position - ending					10,746,966
					124,850,902
					87,493,394
					\$ 131,348,358
					\$ 91,742,904
					\$ 223,091,262

The accompanying notes are an integral part of these statements.

**City of Gig Harbor
Governmental Funds
Balance Sheet
December 31, 2023**

	General	Street Operating	Hospital Benefit Zone	LTGO Bond Redemption	Other Governmental	Governmental Fund Total
Assets						
Cash and cash equivalents	\$ 9,172,702	\$ 767,261	\$ 8,290,863	\$ 83,170	\$ 11,957,192	\$ 30,271,188
Investments	3,016,425	-	-	-	5,020,522	8,036,947
Accounts receivable						
Taxes	2,021,225	34,606	-	-	470,640	2,526,471
Accounts and contracts	302,467	2,641	-	-	300	305,408
Total assets	14,512,819	804,508	8,290,863	83,170	17,448,654	41,140,014
Deferred outflows of resources	-	-	-	-	-	-
Liabilities and fund balance						
Liabilities:						
Accounts payable	1,114,604	51,302	-	-	685,149	1,851,055
Interfund loan payable	-	-	-	2,648,666	-	2,648,666
Other Payables	89,176	3,000	-	-	-	92,176
Total liabilities	1,203,780	54,302	-	2,648,666	685,149	4,591,897
Deferred inflows of resources						
Deferred inflow-Leases	50,510	-	-	-	-	50,510
Deferred inflow-Unavailable revenue	164,055	-	-	-	-	164,055
Property taxes	28,372	-	-	-	4,113	32,485
Total deferred inflows of resources	242,937	-	-	-	4,113	247,050
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	325,669	325,669
Capital projects	-	-	8,290,863	-	15,193,337	23,484,200
Economic development	-	-	-	-	1,110,566	1,110,566
Public safety	-	-	-	-	24,990	24,990
Assigned to:						
Streets	229,745	750,206	-	-	-	979,951
Other purposes	946,795	-	-	-	-	946,795
Unassigned	11,889,562	-	-	(2,565,496)	104,830	9,428,896
Total fund balances	13,066,102	750,206	8,290,863	(2,565,496)	16,759,392	36,301,067
Total liabilities, deferred inflows of resources and fund balances	\$ 14,512,819	\$ 804,508	\$ 8,290,863	\$ 83,170	\$ 17,448,654	\$ 41,140,014

The accompanying notes are an integral part of these statements.

**Reconciliation of the Balance sheet
To the Statement of Net Position
Governmental Funds
December 31, 2023**

City of Gig Harbor
Reconciliation of The Balance Sheet
To The Statement of Net Position
Governmental Funds
December 31, 2023

Total fund balance of governmental funds: \$ 36,301,067

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

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

These assets consist of:

	Balance	
Land	\$ 30,563,261	
Buildings and structures	16,313,691	
Infrastructure	52,699,025	
Improvements	28,650,378	
Machinery and equipment	4,715,951	
Construction in progress	7,973,832	
Right to use assets-leases	111,788	
Right to use assets-Subscriptions	358,991	
Total accumulated depreciation	\$ (39,736,220)	
Less: accumulated depreciation		101,650,698

Net pension asset is not reported in governmental funds 1,483,669

Deferred outflows - pensions and OPEB are not reported in governmental funds 1,036,964

Deferred inflows - pensions are not reported in governmental funds (780,783)

Deferred inflows - property taxes and leases are only reported in governmental funds 82,995

Long-term liabilities, including bonds payable, compensated absences and
other post-employment benefits are not due and payable in the current period and,
therefore, are not reported in governmental funds. (8,426,252)

Net position of governmental activities \$ 131,348,358

The accompanying notes are an integral part of these statements.

City of Gig Harbor
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2023

	General	Street Operating	Hospital Benefit Zone	LTGO Bond Redemption	Other Governmental	Total
Revenues						
Taxes	\$ 14,393,033	\$ -	\$ 2,000,000	\$ -	\$ 3,817,579	\$ 20,210,612
Licenses and permits	894,743	18,000	-	-	-	912,743
Intergovernmental revenues	4,128,897	249,590	-	-	63,822	4,442,309
Charges for services	174,956	58,580	-	-	311,550	545,086
Fines and forfeits	59,920	-	-	-	-	59,920
Miscellaneous	888,132	24,354	360,774	3,895	790,754	2,067,909
Total revenues	20,539,681	350,524	2,360,774	3,895	4,983,705	28,238,579
Expenditures						
Current						
Judicial	583,271	-	-	-	-	583,271
General government	3,458,702	-	-	-	40	3,458,742
Security of persons and property	4,974,489	-	-	-	2,419	4,976,908
Physical environment	11,976	-	-	-	-	11,976
Transportation	-	2,493,762	-	-	291,261	2,785,023
Economic environment	2,543,378	-	-	-	762,763	3,306,141
Mental and physical health	13,700	-	-	-	-	13,700
Culture and recreation	1,485,733	-	-	-	161,295	1,647,028
Debt service:						
Principal	117,848	11,240	-	608,000	247,000	984,088
Interest and other debt service costs	1,242	122	-	192,366	20,283	214,013
Capital outlay	1,615,126	248,023	47,140	-	3,873,472	5,783,761
Total expenditures	14,805,465	2,753,147	47,140	800,366	5,358,533	23,764,651
Excess of revenues over (under) expenditures	5,734,216	(2,402,623)	2,313,634	(796,471)	(374,828)	4,473,928
Other financing sources (uses)						
Capital asset disposal	81,904	-	-	-	-	81,904
Debt Proceeds	-	-	4,248,000	-	-	4,248,000
Lease/SBITA financing	425,224	35,930	-	-	-	461,154
Transfers in	-	2,350,000	-	882,334	3,654,300	6,886,634
Transfers out	(3,333,334)	-	(837,000)	(2,100,000)	(616,300)	(6,886,634)
Total other financing sources and uses	(2,826,206)	2,385,930	3,411,000	(1,217,666)	3,038,000	4,791,058
Net change in fund balance	2,908,010	(16,693)	5,724,634	(2,014,137)	2,663,172	9,264,986
Fund balance at beginning of year	10,158,092	733,278	2,566,229	(551,359)	14,014,875	26,921,115
Prior period adjustment	-	33,621	-	-	81,346	114,967
Fund balance at end of year	\$ 13,066,102	\$ 750,206	\$ 8,290,863	\$ (2,565,496)	\$ 16,759,392	\$ 36,301,067

The accompanying notes are an integral part of these statements.

City of Gig Harbor
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2023

Net change in fund balance - total governmental funds \$ 9,264,986

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	5,783,761	
Less current year depreciation	(3,366,507)	2,417,254

Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-term debt proceeds	(4,248,000)	
Principal payments	984,088	(3,263,912)

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

	(1,920,872)	(1,920,872)
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Change in net position of governmental activities		\$ 6,497,456
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The accompanying notes are an integral part of these statements.

**City of Gig Harbor
Statement of Net Position
Proprietary Funds
December 31, 2023**

	Water-Sewer Utility	Storm Sewer Operating	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 12,339,001	\$ 4,825,930	\$ 17,164,931
Investments	11,067,078	-	11,067,078
Accounts and contracts	1,309,488	477,687	1,787,175
Advances To (From) Other Funds	2,648,666	-	2,648,666
Total current assets	27,364,233	5,303,617	32,667,850
Noncurrent assets:			
Restricted cash and investments:			
Cash and cash equivalents	495,943	-	495,943
Investments	1,005,474	-	1,005,474
Land	848,333	-	848,333
Buildings	36,711,755	-	36,711,755
Improvements other than buildings	56,449,910	4,397,353	60,847,263
Machinery and equipment	2,200,344	1,060,681	3,261,025
Right to use assets	76,701	29,845	106,546
Construction in progress	4,212,685	2,170,963	6,383,648
Less accumulated depreciation	(30,458,162)	(3,098,611)	(33,556,773)
Capital assets, net of accumulated depreciation	70,041,566	4,560,231	74,601,797
Net pension asset	717,582	126,632	844,214
Total noncurrent assets	72,260,565	4,686,863	76,947,428
Total assets	99,624,798	9,990,480	109,615,278
Deferred outflows of resources			
Deferred charge on refunding	317,631	-	317,631
Deferred outflows related to pensions	579,758	102,310	682,068
Total deferred outflows of resources	897,389	102,310	999,699
Liabilities			
Current liabilities:			
Accounts payable	554,007	114,019	668,026
Matured revenue bonds payable	1,850,321	-	1,850,321
Revenue bond interest payable	111,748	-	111,748
Compensated absences payable	22,030	4,086	26,116
Other payables	48,874	-	48,874
Total current liabilities	2,586,980	118,105	2,705,085
Noncurrent Liabilities:			
Compensated absences payable	198,274	36,770	235,044
Net pension liability	464,622	81,992	546,614
Leases and subscriptions	46,474	20,833	67,307
Revenue bonds payable (net of unamortized premium)	14,807,109	-	14,807,109
Total noncurrent liabilities	15,516,479	139,595	15,656,074
Total liabilities	18,103,459	257,700	18,361,159
Deferred inflows of resources			
Deferred inflows related to pensions	434,277	76,637	510,914
Total deferred inflows of resources	434,277	76,637	510,914
Net position			
Net investment in capital assets	53,701,767	4,560,231	58,261,998
Restricted for debt service	1,501,417	-	1,501,417
Restricted for pensions	717,582	126,632	844,214
Unrestricted	26,063,685	5,071,590	31,135,275
Total net position	\$ 81,984,451	\$ 9,758,453	\$ 91,742,904

The accompanying notes are an integral part of these statements.

CITY OF GIG HARBOR
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Water-Sewer Utility	Storm Sewer Operating	Total
Operating revenues:			
Water sales	\$ 3,023,151	\$ -	\$ 3,023,151
Sewer charges	6,479,068	-	6,479,068
Storm sewer charges	-	1,544,377	1,544,377
Other fees and charges	410,409	47,211	457,620
Total operating revenues	9,912,628	1,591,588	11,504,216
Operating expenses:			
Operations and maintenance	3,547,357	483,641	4,030,999
Administration	1,682,771	478,984	2,161,755
Depreciation	2,165,807	224,740	2,390,547
Utility taxes	210,361	18,730	229,091
Total operating expenses	7,606,296	1,206,095	8,812,392
Operating income (loss)	2,306,332	385,493	2,691,824
Nonoperating revenues (expenses):			
Connection charges	388,653	39,578	428,231
Intergovernmental revenue	66,457	35,485	101,942
Investment earnings	1,172,022	242,813	1,414,835
Interest expense	(379,215)	-	(379,215)
Other debt service expense	-	-	-
Gain/(Loss) on sale of capital assets	(2,084)	(6,023)	(8,107)
Total nonoperating revenues (expenses)	1,245,833	311,853	1,557,686
Income Before Contributions and Transfers	3,552,164	697,346	4,249,510
Capital Contributions	-	-	-
Changes in net position	3,552,164	697,346	4,249,510
Total net position-beginning	78,432,287	9,061,107	87,493,394
Total net position-ending	\$ 81,984,451	\$ 9,758,453	\$ 91,742,904

The accompanying notes are an integral part of these statements.

CITY OF GIG HARBOR
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Enterprise Funds		
	Total Water/Sewer Utility	Storm Sewer	Total Enterprise Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 7,590,549	\$ 1,503,718	\$ 9,094,267
Payments to suppliers	(3,223,697)	(340,281)	(3,563,978)
Payments to employees	(2,702,120)	(544,977)	(3,247,097)
Other receipts (payments)	410,409	47,211	457,620
Net cash provided (used) by operating activities	2,075,141	665,671	2,740,812
Cash Flows from Non-capital Financing Activities			
Federal grant	66,457	-	66,457
Net cash provided (used) by non-capital financing activities	66,457	-	66,457
Cash Flows from Capital and Related Financing Activities			
Connection charges	388,653	39,578	428,231
Acquisition and construction of capital assets	(2,701,805)	(916,895)	(3,618,700)
Principle paid on revenue bond maturities	(1,820,322)	-	(1,820,322)
Interest paid on revenue bonds	(455,554)	(1,546)	(457,100)
Proceeds from disposition of capital assets	2,085	-	2,085
Net cash provided (used) by capital and related financing activities	(4,586,943)	(878,863)	(5,465,806)
Cash Flows from Investing Activities			
Purchase of investments	(360,507)	-	(360,507)
Sale of investments	-	9,939	9,939
Interest received from investments	1,172,020	243,813	1,415,833
Net cash provided by investing activities	811,513	253,752	1,065,265
Net increase (decrease) in cash and cash equivalents	(1,633,832)	40,560	(1,593,272)
Cash and cash equivalents, beginning	14,468,776	4,785,370	19,254,146
Cash and cash equivalents, ending	\$ 12,834,944	\$ 4,825,930	\$ 17,660,874
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	2,306,332	385,493	2,691,825
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	2,165,807	224,740	2,390,547
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,911,670)	(40,659)	(1,952,329)
Increase (decrease) in accounts payable	17,574	102,845	120,419
(Increase) decrease in pension accounts	(502,902)	(6,748)	(509,650)
Total adjustments	(2,396,998)	55,438	(2,341,560)
Net cash provided by operating activities	\$ 2,075,141	\$ 665,671	\$ 2,740,812

The accompanying notes are an integral part of these statements.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 1 – Summary of significant accounting policies

The City of Gig Harbor was incorporated in 1946 and is a general-purpose government providing police protection, street maintenance and improvement, parks, planning and land use and general administrative services. In addition, the city owns and operates water, sewer, and storm drainage systems. Gig Harbor is organized as a noncharter code city under the laws of the State of Washington and is governed by a Mayor and a City Council made up of seven members.

The financial statements of the city have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting entity

The city's financial statements present the City of Gig Harbor only. There are no component units included in these financial statements.

The **Gig Harbor Transportation Benefit District (TBD)**, which was presented as a blended component unit of the city in fiscal year 2020 was absorbed by the city in April 2021. The TBD is a separate (non-major) fund of the city. Resources for transportation projects are accumulated in the TBD fund.

B. Government-wide and fund financial statements

The financial statements include both government-wide and fund financial statements. The government-wide statements consist of a *Statement of Net Position* and a *Statement of Activities* and report information on all the non-fiduciary activities of the city, excluding the effect of interfund activity. Activities are reported in two categories: governmental activities (financed through taxes and intergovernmental revenues); and business-type activities (financed through user fees charged to external users).

The *Statement of Net Position* presents the financial position for the city's governmental (governmental activities) and enterprise funds (business-type activities) at year-end.

The *Statement of Activities* reports the gross and net cost of each of the city's functions (general government, public safety, transportation, etc.) and business-type activities (water/sewer and storm drainage). Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect costs to the specific functions. The statement of activities reduces direct expenses by related program revenues, which are defined as: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function including charges for services, operating and capital grants and contributions. All revenues that are not program revenues are general revenues and reported by

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

type after total net expense of the city's functions. This includes taxes and other items not properly included among program revenues which are reported instead as general revenues.

The fund financial statements present the city's major governmental and proprietary funds as separate columns in the fund financial statements. Non-major governmental funds are combined in a single column.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The accounting objectives of the economic measurement focus are the determination of operating income, changes in assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental revenues susceptible to accrual are:

- Taxes (all except property tax)
- Property taxes – subject to 30-day availability after year-end
- Franchise fees

The effect of the interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

CITY OF GIG HARBOR
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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water/Sewer and Storm funds are user charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Financial Statement Presentation

Major governmental funds:

General Fund

The general fund is the city's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Senior Services, Pedestrian Safety, Public Art Capital Projects, Strategic Reserve, Equipment Reserve and Donations funds are consolidated into the general fund in this financial report. For operational purposes these funds are accounted for separately throughout the year.

- The Public Art Capital Projects Fund is used to accumulate unspent appropriations of the Arts Commission Project Support Program. The funds accumulated in this fund are used for public art capital projects.
- The Strategic Reserve Fund is used to accumulate resources to take advantage of strategic opportunities as they arise and to insulate the city from revenue fluctuations, economic downturns and other unforeseen events that may occur.
- The Equipment Reserve Fund was established to provide the city a method to save for significant purchases.
- The Senior Services Fund was established to provide funding for senior facilities and activities.
- The Pedestrian Safety Fund was established to provide funding for construction of pedestrian safety facilities such as crosswalks, flashing crosswalks, sidewalks and other pedestrian facilities.
- The Donations Fund accepts donations for small park improvements – mainly park benches and similar items. The money received is transferred into the park operations and spent in accordance with donated purpose.

Street Operating Fund

This special revenue fund accounts for all maintenance activities concerning city streets, including sidewalks, street lighting, traffic signals, landscaping, street cleaning, annual chip-seal program and snow and ice removal.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Hospital Benefit Zone Revenue Fund

This capital projects fund was established to receive and account for sales tax matching distributions from the state. The funds are reserved for qualified capital projects within the Hospital Benefit Zone.

LTGO Bond Redemption Fund

This fund is used to retire non-voted general obligation debt. Resources are provided through transfers from the general fund.

Major proprietary funds:

Water/Sewer Fund

This fund accounts for operations and maintenance of the water system and sewer collection and treatment services. Capital assets are also constructed or purchased within this fund.

Storm Sewer Operating Fund

The storm sewer operating fund accounts for all operations, maintenance and construction activities related to the city's storm sewer system. Capital assets are also constructed or purchased within this fund.

Non-major governmental funds:

Street Capital Fund

The street capital fund accounts for all construction activities concerning roadways, sidewalks, street lighting and traffic signals.

Park Development Fund

This capital projects fund accumulates resources through annual contributions from the general fund, interest earnings and periodic grants and contributions from outside sources to develop park property.

State Drug Investigation Fund

Proceeds from the sale of property seized during drug investigations and forfeited pursuant to state law are accumulated in this fund. These moneys are used to pay for overtime, equipment and supplies related to drug investigations and related activities.

Federal Drug Investigation Fund

Proceeds from the sale of property seized during drug investigations and forfeited pursuant to federal law are accumulated in this fund. These moneys are used to pay for overtime, equipment and supplies related to drug investigations and related activities.

Hotel-Motel Fund

CITY OF GIG HARBOR
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For the Year Ended December 31, 2023

The lodging tax is imposed by the city upon the sale or the furnishing of lodging. Revenues generated by this tax may be used solely for paying for tourist promotion and acquisition and/or maintenance of tourism-related facilities.

Capital Development Fund

This fund accounts for the proceeds of the first one-quarter percent of the locally imposed real estate excise tax. State law restricts the use of these funds to financing capital projects specified in the capital facilities plan element of a comprehensive plan.

Capital Improvement Fund

This fund accounts for the proceeds of the second quarter percent of the locally imposed real estate excise tax. Permitted uses are defined as public works projects for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

Impact Fee Trust Fund

This fund accounts for the park and transportation fees that are paid to the city. As eligible projects are appropriated by City Council, the impact fees allocated for that project are transferred to the construction fund.

2005 Bond Redemption Fund

This fund was created to account for the payment of the principal and interest on the voted bond issued to purchase the Eddon Boatyard.

Transportation Benefit District (TBD)

This fund accounts for the additional 0.2 percent (0.2%) sales tax enacted by the voters in the November 2019 general election. The TBD was absorbed by the city in April 2021 and accumulates capital for transportation improvement projects.

Budgetary information

1. Scope of Budget

The City of Gig Harbor budgets in accordance with the provisions of the Revised Code of Washington (RCW) 35A.33. Annual appropriated budgets are adopted for all the city's funds.

Budgets are adopted for all funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. These are then incorporated into the budget.

CITY OF GIG HARBOR
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For the Year Ended December 31, 2023

Other budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end, except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Amending the Budget

The Mayor, City Administrator or Finance Director are authorized to transfer budget amounts between categories within funds or general fund departments. Revisions that alter the total expenditures of a fund or general fund department, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment, must be approved by the City Council.

When the City Council determines that it is in the best interest of the city to increase or decrease the appropriation for a particular fund or department, it may do so by ordinance approved by one more than the majority of the City Council after holding a public hearing.

The budget amounts shown in the required supplemental information section of the financial statements are the final authorized amounts as revised during the year.

The required supplemental information section of the financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of expenditures over appropriations

There were no instances where expenditures exceeded appropriations during the 2023 fiscal year.

4. Deficit fund equity

The city's LTGO Bond Redemption Fund had a deficit fund equity at year-end. This is due to a 10-year interfund loan from the Water-Sewer fund to general government for a public works facility jointly built and used by general government and water-sewer operations. In accordance with accounting standards, this long-term inter-fund payable is reported in the fund financial statements and creates negative fund equity.

E. Assets, Liabilities and Equities

Cash and cash equivalents– see Note 4.

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased, and cash and investments

CITY OF GIG HARBOR
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For the Year Ended December 31, 2023

in the Local Government Investment Pool which is operated by the Washington State Treasurer's Office.

Investments are stated at fair value.

For purposes of the Statement of Cash Flows, the city considers all highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents.

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

At December 31, 2023, the treasurer was holding \$47,932,062 in cash on hand and in bank, deposits and short-term investments of surplus cash.

Investments – see Note 4.

Receivables

The city's annual property tax levy is billed and collected by Pierce County. Taxes collected by the county, but not remitted to the city by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years delinquent, the county is required by state statute to foreclose on the property.

Receivables in governmental and enterprise funds are stated net of any allowance for uncollectible accounts.

Restricted Assets

At December 31, 2023, the restricted assets of the enterprise funds are composed of the following:

Cash & cash equivalents - debt service	\$ 495,943
Cash & cash equivalents – retainage accounts	10,293
Investments – debt service	1,005,474
Pension assets	\$ 844,214

Capital assets – see Note 6.

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the applicable governmental or business - type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$10,000 (\$25,000 for infrastructure) and an estimated useful life more than 1 year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Assets purchased with federal funds are capitalized at the \$5,000 threshold.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense for 2023 was \$593,228 (general government - \$214,013 and proprietary \$379,215). The city did not have any debt-financed capital projects under construction in 2023; therefore all 2023 interest costs were expensed.

Capitalization thresholds and useful lives of capital assets reported in the government-wide statements and proprietary funds are listed below. The straight-line method is used to depreciate all capital assets.

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	25,000	10-50 years
Equipment	10,000	1-20 years
Roads	25,000	25 years
Water/sewer infrastructure	25,000	20-60 years

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. 25% of sick leave is payable for employees with 5 or more years longevity; therefore, 25% of sick leave is accrued for all 5-year employees.

Vacation pay, which may be accumulated up to 56 days (448 hours), is payable upon resignation, retirement or death. A maximum of 30 days (240 hours) can be carried on December 31 of each year.

Other post-employment benefits – See Note 12.

Lifetime full medical coverage is provided to police officers who retired under the Law Enforcement Officers and Firefighters Plan 1 (LEOFF1) retirement system. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred.

Pensions

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

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the city includes the net pension asset only.

Long-term liabilities - See Note 9.

Interfund loans

Resolution 1168, which is dated 12/9/2019 established an interfund loan from the Water-Sewer utility to the LTGO Bond Redemption Fund (The funds were expended through the Street Capital and Park Development funds, while repayment is being accounted for in the LTGO Bond fund). The loan amount was for \$917,000 with a final payment date of 12/31/2029. The interest rate for this loan is one percent (1%) greater than the average monthly gross earnings rate of the Washington State Treasurer's Local Government Investment Pool.

Resolution 1292, which is dated 9/11/2023, established an interfund loan from the Water-Sewer utility to the Street Capital and Park Development funds, (debt service on the loan is being accounted for in the LTGO Bond fund). The loan amount was for \$2,100,000 with a final payment date of 12/31/2033. The interest rate for this loan is one percent (1%) greater than the average monthly gross earnings rate of the Washington State Treasurer's Local Government Investment Pool.

Net position / Fund balance

The difference between fund assets plus deferred outflows and liabilities plus deferred inflows is "net position" on the government-wide financial statements and is "fund balance" on the governmental fund statements.

Fund balance components

The fund balance amounts for governmental funds are reported as restricted, assigned or unassigned.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by either federal or state legislation.
- Assigned fund balance includes amounts that are constrained by the city's intent to be used for a specific purpose but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted. The authority for assignment of funds is not required to be the government's highest level of decision-making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council files, ordinances and resolutions.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

- Unassigned fund balance is the residual amount of the General Fund not included in the other two categories described above.

Committed and assigned amounts are deemed to have been spent as expenditures are incurred for those related commitments or assignments.

Note 2 - Reconciliation of government-wide and fund financial statements

A. The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position-governmental activities as reported in the government-wide Statement of Net Position.

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

Note 3 – Stewardship, compliance and accountability

There have been no material violations of finance-related legal or contractual provisions.

Note 4 – Cash, Cash Equivalents and investments

Cash and Cash Equivalents

At December 31, 2023, the city's cash and cash equivalents (including restricted cash and investments) consisted of the following:

Petty cash/change funds	\$ 300
Cash in bank checking accounts	1,423,739
State Treasurer's Pool (cash equivalents)	<u>46,508,023</u>
Total Cash and Cash Equivalents	\$ 47,932,062

The city's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC insures the first \$250,000 of the city's deposits. The deposit balances over \$250,000 are insured by the WPDPC.

Investments

In accordance with state law, all investments of the city's funds are obligations of the U.S. Government, U.S. agency issues or the State Treasurer's Investment Pool. The city reports all investments at fair value.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Investments in Local Government Investment Pool

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

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

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

As of December 31, 2023, the city held the following investments at amortized cost:

Washington State Local Government Investment Pool **\$46,508,023**

Investments measured at Fair Value

As of December 31, 2023, the city held the following investments at Fair Value:

Investment	Fair Value	Maturities		Total
		Less Than One Year	One to Five years	
Federal Agricultural Mortgage Corporation	\$ 995,821	\$ -	\$ 995,821	\$ 995,821
Federal Home Loan Bank	17,121,136	4,919,233	12,214,757	17,133,990
US Treasury Notes	1,979,688	1,979,688	-	1,979,688
Total Investments	\$ 20,096,645	\$ 6,898,921	\$ 13,210,578	\$ 20,109,499

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. As a means of limiting its exposure to interest rate risk, the City's policy requires that it diversify its investments by security type and institution, and limit holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and, unless matched to a specific cash flow or restricted

CITY OF GIG HARBOR
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For the Year Ended December 31, 2023

by state guidelines, the City restricts the maximum investment term to less than five years from the purchase date.

Custodial credit risk. Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the city would not be able to recover the value of the investment in collateral securities. All security transactions entered into by the city are conducted on a delivery versus payment basis whereby the securities are delivered to a third party, such as a safekeeping bank acting as an agent for the city, before payment is released. All the city's investments, excluding the LGIP, are held by the city's custodial agent in the city's name, thereby reducing the city's custodial credit risk.

Credit risk. State law and city policy limit investments to those authorized by State Statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.

Fair Value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels:

Level 1 - Pricing inputs are observable inputs such as quoted prices, available in active markets, for identical assets on the measurement date.

Level 2 - Pricing inputs are either directly or indirectly observable inputs available in active markets as of the measurement date.

Level 3 - Pricing inputs are unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

All investment balances as of December 31, 2023, are based on level 1 inputs.

Note 5 – Property Taxes

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

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

CITY OF GIG HARBOR
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For the Year Ended December 31, 2023

Property tax revenues are recorded as a receivable when levied, offset by deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 60 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The city may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State law, RCW 84.55.010, limit the property tax rate.

The city's regular levy for collection in 2023 was \$0.69794 per \$1,000 on an assessed valuation of \$4,759,391,452 for a total regular levy of \$3,321,782.

The city's excess levy for payment of the 2005 voted general obligation bonds was \$0.065388 per \$1,000 on an assessed valuation of \$4,740,933,342 for a total levy of \$310,000.

Taxes Collected in Year of Levy

Year	Regular Levy	Excess Levy	Percent Collected
2023	\$3,321,782	\$310,000	99.8
2022	3,208,700	250,000	99.7
2021	3,099,749	250,000	97.7
2020	3,007,357	300,000	99.3
2019	2,963,318	300,000	99.1
2018	2,768,188	300,000	99.1
2017	2,534,524	300,000	99.1
2016	2,318,381	300,000	98.8
2015	2,207,695	250,000	98.8

Note 6 – Capital assets

A. Depreciation for the year ended December 31, 2023, was as follows:

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 349,750
Public Safety	158,880
Transportation	1,952,061
Culture and Recreation	905,816
Total depreciation for governmental activities	<u>\$ 3,366,507</u>

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For the Year Ended December 31, 2023

Depreciation expense was charged to business-type activities as follows:

Water	\$ 485,712
Sewer	1,670,749
Stormwater	224,741
Total depreciation for business-type activities	\$ 2,381,202

B. Capital asset activity for the year ended December 31, 2023, was as follows:

Governmental Activities Description	Beginning Balance	Increase	Decrease	Ending Balance
Land	\$ 30,563,261	\$ -	\$ -	\$ 30,563,261
CIP	8,751,937	4,265,122	5,043,226	7,973,832
Total non-depreciable assets	39,315,198	4,265,122	5,043,226	38,537,094
Depreciable assets				
Buildings	15,416,949	918,023	21,281	16,313,691
Other Improvements	28,515,788	134,591	-	28,650,378
Machinery & Equipment	4,001,111	916,556	201,717	4,715,951
Infrastructure	48,614,838	4,084,188	-	52,699,025
Right to use assets-leases	-	111,788	-	111,788
Right to use assets-Subscriptions	-	358,991	-	358,991
Total depreciable assets	96,548,685	6,524,137	222,998	102,849,824
Less accumulated depreciation for:				
Buildings	6,212,080	472,183	4,256	6,680,007
Other Improvements	12,287,565	921,305	-	13,208,870
Machinery & Equipment	3,190,012	241,657	189,671	3,241,998
Infrastructure	14,873,984	1,639,603	-	16,513,587
Right to use assets-leases	-	7,610	-	7,610
Right to use assets-Subscriptions	-	84,148	-	84,148
Total accumulated depreciation	36,563,640	3,366,507	193,927	39,736,220
Total depreciable assets, net	59,985,045	3,157,630	29,071	63,113,605
Governmental activities net capital assets	\$ 99,300,244	\$ 7,422,751	\$ 5,072,296	\$ 101,650,698

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Business-type activities	Ending			Ending
Description	Balance	Increase	Decrease	Balance
Land	\$ 848,333	\$ -	\$ -	\$ 848,333
CIP	10,842,685	3,326,702	7,785,740	6,383,648
Total non-depreciable assets	11,691,018	3,326,702	7,785,740	7,231,981
Depreciable assets				
Buildings	36,711,755	-	-	36,711,755
Other improvements	23,857,084	7,697,292	-	31,554,376
Machinery & equipment	2,970,138	345,916	55,029	3,261,025
Infrastructure	29,204,440	88,447	-	29,292,887
Right to use assets-leases	-	24,728	-	24,728
Right to use assets-Subscriptions	-	81,818	-	81,818
Total depreciable assets	92,743,418	8,238,201	55,029	100,926,590
Less accumulated depreciation for:				
Buildings	13,768,982	851,253	-	14,620,235
Other improvements	5,604,022	613,322	-	6,217,345
Machinery & equipment	1,979,673	192,328	42,983	2,129,018
Infrastructure	9,865,879	695,454	-	10,561,333
Right to use assets-leases	-	3,147	-	3,147
Right to use assets-Subscriptions	-	25,698	-	25,698
Total accumulated depreciation	31,218,556	2,381,202	42,983	33,556,775
Total depreciable assets, net	61,524,862	5,856,999	\$ 12,046	67,369,816
Business-type activities net capital assets	\$ 73,215,880	\$ 9,183,702	\$ 7,797,785.28	\$ 74,601,797

- C. The city did not have any outstanding active construction projects as of December 31, 2023.

Note 7 – Pension Plans

The following table represents the aggregate pension amounts for all plans for 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (1,366,535)
Pension assets	3,763,780
Deferred outflows of resources	2,786,031
Deferred inflows of resources	(1,844,800)
Pension expense/expenditures	\$ 207,374

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State Sponsored Pension Plans

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

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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

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PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July - August	6.36%	6.00%
PERS Plan 1	2.85%	
PERS Plan 1 UAAL	0.18%	
Administrative Fee	9.39%	6.00%
Total		
September – December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

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Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	Employer 2/3	Employee 2*	Employee 3**
January – August 2022:			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Employee PERS Plan 3		varies	
Total	10.39%	6.36%	
January – August 2022:			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Employee PERS Plan 3		varies	
Total	9.39%	6.36%	
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Employee PERS Plan 3		Varies	
Total	9.53%	6.36%	

* For employees participating in JBM, the contribution rate was 15.90%.

**For employees participating in JBM, the minimum contribution rate was 7.50%.

The city's actual PERS plan contributions were \$263,174 to PERS Plan 1 and \$484,008 to PERS Plan 2/3 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest-paid consecutive 24 months' within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include a COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 – 52, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both

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the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – August:		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
September – December:		
State and local governments	5.12%	8.53%
Administrative Fee	0.20%	
Total	5.32%	8.53%

The city's actual contributions to the plan were \$140,006 for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$86,288.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation

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- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of Net Pension Liability/(Asset)

The table below presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the city's proportionate share of the net pension liability/(Asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 1,909,152	\$ 1,366,535	\$ 892,957
PERS 2/3	2,295,460	(2,110,535)	(5,730,338)
LEOFF 1	(192,724)	(217,348)	(238,702)
LEOFF 2	\$ (237,746)	\$ (1,435,897)	\$ (2,805,629)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the city reported its proportionate share of net pension liabilities and net pension assets as follows:

	Liability	Asset
PERS 1	\$ 1,366,535	
PERS 2/3		\$ 2,110,535
LEOFF 1		217,348
LEOFF 2		1,435,897
Total Net Pension Liability/Asset	\$ 1,366,535	\$ 3,763,780

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ 217,348	\$ 1,435,897
State's proportionate share of the net pension asset associated with the employer	1,470,139	916,949
TOTAL	\$ 1,687,488	\$ 2,352,846

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.040629%	0.059864%	0.019172%
PERS 2/3	0.053052%	0.051493%	(0.001559%)
LEOFF 1	0.007147%	0.007323%	0.000176%
LEOFF 2	0.058682%	0.059864%	0.001182%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2023, the city recognized pension expense as follows:

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	Pension Expense
PERS 1	\$ 471,784
PERS 2/3	(270,813)
LEOFF 1	(23,516)
LEOFF 2	29,919
TOTAL	\$ 270,374

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$154,151
Contributions subsequent to the measurement date	\$110,699	0
TOTAL	\$110,699	\$154,151

PERS Plan 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$429,914	\$23,581
Net difference between projected and actual investment earnings on pension plan investments	0	795,377
Changes of assumptions	886,076	193,130
Changes in proportion and differences between contributions and proportionate share of contributions	46,361	111,047
Contributions subsequent to the measurement date	232,121	0
TOTAL	\$1,594,471	\$1,123,134

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$14,412
TOTAL	\$0	\$14,412

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LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$586,523	\$11,813
Net difference between projected and actual investment earnings on pension plan investments	0	303,833
Changes of assumptions	366,795	117,948
Changes in proportion and differences between contributions and proportionate share of contributions	50,317	119,508
Contributions subsequent to the measurement date	77,227	0
TOTAL	\$1,080,861	\$553,102

Combined – PERS 1, 2/3; LEOFF 1 & 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,016,437	\$35,395
Net difference between projected and actual investment earnings on pension plan investments	0	1,267,773
Changes of assumptions	1,252,870	311,077
Changes in proportion and differences between contributions and proportionate share of contributions	96,677	230,555
Contributions subsequent to the measurement date	420,047	0
TOTAL	\$2,786,031	\$1,844,800

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

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2024	(104,878)	(408,556)	(9,882)	(128,775)
2025	(131,896)	(488,283)	(12,400)	(177,840)
2026	81,325	637,674	7,692	254,510
2027	1,298	236,352	177	86,585
2028	-	240,808	-	98,004
Thereafter	-	16,218	-	318,049
Total	\$(154,151)	\$239,215	\$(14,412)	\$450,532

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City of Gig Harbor Retirement Plan - Defined Contribution

The city also participates in a defined contribution pension retirement system called the City of Gig Harbor Retirement Plan. The plan is administered by MissionSquare Retirement Corporation (formerly ICMA-RC).

As of December 31, 2023, there were a total of 205 individuals covered by this system; 125 of whom are currently employed by the city.

The Gig Harbor City Council established the plan with city ordinance 411, effective 1/1/83, as authorized by the Federal Social Security Act, *42 USCA, Section 418 (g)*. The plan was established as an alternative to the Federal Social Security System.

All full-time permanent employees of the city are required to participate in the system, with the city matching the employee's required contribution. Employees contribute 6.2 percent of their gross pay, and the city matches with a 6.2 percent contribution less the cost of a long-term disability and life insurance premium. All employees are 100 percent vested upon entry into the Plan; and normal retirement age is 59.5.

Covered payroll for 2023 was \$10,788,338 and total city payroll was \$11,012,102. Actual city contributions during 2023 were \$549,394, which represents 100% of its current year obligation; and the 2023 pension expense for the Plan. Employee contributions during 2023 were \$601,839. Employees choose from a variety of investment funds offered and administered by ICMA Retirement Corporation. Plan assets amounted to \$23,631,600 at December 31, 2023.

The plan is currently 100 percent funded and the city has no outstanding liability relative to the Plan.

Note 8 – Risk Management

The City of Gig Harbor is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2023, 106 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general

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liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution and cyber liability coverages are stand-alone policies which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. \$9.5 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The property reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2023, AWC RMSA carried a retention of \$300,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

The city did not have any claims settlements that exceeded insurance coverage in each of the last three years: 2021, 2022 and 2023.

Unemployment

The city is a reimbursable employer with the Washington State Employment Security Department; therefore, it is self-insured for unemployment. Claims are processed by the state and paid by the city. Below is an analysis of claims activity for the two years ended December 31, 2023:

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	<u>2022</u>	<u>2023</u>
Liability - beginning	\$ -	\$ -
Claims incurred	17,004	7,171
Claims payments	17,004	7,171
Adjustments	-	-
Liability - ending	<u>\$ -</u>	<u>\$ -</u>

Note 9 - Long-term liabilities

The city issues general obligation and revenue bonds to finance the acquisition of equipment or construction of major capital facilities. Bonded indebtedness has also been entered into to refund several general obligation and revenue bonds. The city has general obligation bonds outstanding which were issued for general government projects and are being repaid from governmental debt service funds. In addition, the city also has revenue bonds outstanding. The city's water and sewer revenues are pledged to pay the debt service on these bonds.

The general obligation bond debt service funds are supported with general revenues such as property, sales, and utility taxes. General government compensated absences are liquidated with general governmental revenue sources.

Revenue bonds are being repaid with proprietary (water, sewer, and storm) fund revenues.

In proprietary fund financial statements, bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by amortization of discount.

As of December 31, 2023, the city had \$406,578 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,698,809 in debt service funds and reserves as required by bond indentures.

The city had no arbitrage rebate liability for outstanding tax-exempt bonds in 2023.

The city's long-term liabilities are as follows:

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	2023			2023	
	Beginning			Ending	
	Balance	Increase	Decrease	Balance	Due in 2024
Governmental Activities					
Other Post Employment Benefits	\$ 1,556,068	\$ 96,649	\$ -	\$ 1,652,717	\$ -
Net Pension Liability	661,681	158,240	-	819,921	-
Compensated absences	725,017	62,865	-	787,882	78,788
Other non-current obligations	2,942,766	317,754	-	3,260,520	78,788
General obligation bonds					
2005 UTGO	503,000	-	247,000	256,000	256,000
2021 LTGO refunding	894,000	-	221,000	673,000	223,000
2023 LTGO	-	4,248,000	387,000	3,861,000	378,000
Total notes and bonds	1,397,000	4,248,000	855,000	4,790,000	857,000
Lease Liability	-	103,505	8,211	95,294	19,712
Subscription Liability	-	351,730	121,802	229,928	142,129
Total Governmental Activities	\$ 4,339,766	\$ 5,020,989	\$ 985,013	\$ 8,375,742	\$ 1,097,629
	Beginning			Ending	
	Balance	Increase	Decrease	Balance	Due in 2024
Business Type Activities					
Net Pension Liability	\$ 472,467	\$ 74,147	\$ -	\$ 546,614	\$ -
Compensated absences	236,594	24,565	-	261,159	26,116
Other non-current obligations	709,061	98,712	-	807,773	26,116
Revenue bonds					
2017 W/S Tax-exempt	4,865,000	-	270,000	4,595,000	275,000
2019 Revenue Refunding	6,720,000	-	745,000	5,975,000	770,000
Premium on bonds payable	1,069,486	-	112,298	957,188	-
PWTF Loan-Outfall construction	3,176,468	-	529,409	2,647,059	529,412
PWTF Loan-WWTP Ph 2 const.	2,759,092	-	275,909	2,483,183	275,909
Total notes and bonds	18,590,046	-	1,932,616	16,657,430	1,850,321
Lease Liability	-	24,686	3,413	21,273	5,782
Subscription Liability	-	78,632	28,991	49,641	49,729
Total Business Type Activities	\$ 19,299,107	\$ 202,030	\$ 1,965,020	\$ 17,536,117	\$ 1,931,948

General obligation bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the city. Annual debt service requirements to maturity for general obligation bonds are as follows:

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

GO Annual Debt Service Requirements		
Year Ending		
December 31	Principal	Interest
2024	\$ 857,000	\$ 135,360
2025	614,000	112,260
2026	628,000	98,473
2027	414,000	85,036
2028	428,000	71,953
2029-2032	1,849,000	148,330
Totals	\$ 4,790,000	\$ 651,412

The following general obligation bond/note issues are outstanding as of December 31, 2023:

Description/ Purpose	Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
2005 Unlimited Tax General Obligation Bonds; Bond proceeds were used to finance purchase of the Eddon Boatyard Property. Debt service payments are funded from excess property taxes as approved by voters in an election held November 2, 2004.	2005 - 2024	3.79%	\$3,500,000	\$ 256,000
2021 LTGO Refunding; issue amount \$1,116,000, dated 9/15/2021; bearing interest at 0.65% with a final maturity date of 6/21/2026.	2021-2026	0.65%	\$1,116,000	\$ 673,000
2023 LTGO; issue amount \$4,248,000, dated 1/31/2023; bearing interest at 3.16% with a final maturity date of 12/1/2032.	2023-2032	3.16%	\$4,248,000	\$3,861,000

Special assessment bonds

The city does not have any special assessment bonds outstanding as of December 31, 2023.

Business-Type Activities

Revenue bonds

The city finances major water, sewer, and storm drainage projects by issuing revenue bonds. Water and sewer revenues are pledged to the payment of principal and interest. State of Washington public works trust fund (PWTF) loans have a lien (subordinate to the revenue bond lien) against these revenues also. The existing revenue bonds, and any issued thereafter, have a senior lien against system revenues.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

The following revenue bond issues and loans are outstanding as of December 31, 2023:

Description/ Purpose	Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
Public Works Trust Fund Loan - 2008 Proceeds used for design of treatment plant expansion.	2009 - 2028	0.5%	\$10,000,000	\$ 2,647,059
Public Works Trust Fund Loan - 2014 Wastewater Treatment Plant Improvements, Treatment Plant Upgrade Phase 2. Total loan amount upon project completion will be \$5,950,000.	2014 - 2034	0.25%	\$649,791	\$ 2,483,183
2017 W/S Tax Exempt Revenue Bonds; Proceeds used to construct a lift station and well.	2017 - 2036	2.0 – 4.0%	6,220,000	\$ 4,595,000
2019 Water & Sewer Revenue and Refunding Bonds; Refunding bonds used to refund the 2010 Taxable Build America Bonds maturing in 2021 through 2029, totaling \$8,720,000	2019 - 2030	3.0 – 5.0%	\$8,270,000	\$ 5,975,000

Annual debt service requirements to maturity for revenue bonds and PWTF loans in the city's business-type activities are as follows:

Year Ending December 31	Principal	Interest
2024	1,850,321	421,068
2025	1,880,321	383,631
2026	1,920,321	345,195
2027	1,955,321	301,333
2028	2,015,321	243,596
2029 - 2033	4,803,636	571,848
2034 - 2036	1,275,000	103,200
Totals	\$ 15,700,241	\$ 2,369,871

Refunded debt

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

August 2, 2019, the city, issued \$8,270,000 of water and sewer revenue refunding bonds (refunding bonds) to refund (refinance) the 2010 Water and Sewer Revenue and Refunding Taxable Build America bonds. The city contributed \$149,297 to the escrow account. The proceeds were used to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$8,720,000 of refunded debt. As a result, the refunded bonds are considered defeased; and the liability has been removed from the business activities column of the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$890,110 and resulted in an economic gain of \$687,667.

The city, in September 2021, issued \$1,116,000 of general obligation refunding bonds (refunding bonds) and \$1,600,000 in local city-provided funds to refund a portion of the 2010 LTGO bonds. The proceeds were used to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,645,000 of refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 6 years by \$1,858,326 and resulted in an economic gain of \$172,591.

Note 10 – Contingencies and litigation

All material liabilities of the city are recorded in the financial statements. In the opinion of management, the city's insurance policies are adequate to pay all known or pending claims.

The city is contingently liable for repayment the refunded debt discussed above in Note 9.

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

Note 11 – Transfers to/from other funds

In most years the city has several routine interfund transfers. These are mostly transfers from the general fund to debt service funds for debt service and to fund various capital project activities such as property acquisition, park development and street rehabilitation and construction.

Interfund transfers through December 31, 2023, were as follows:

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Transfers Out	Transfers In			
		Street Operating	LTGO	Non-Majors
	General Fund	\$ 2,350,000	\$ 882,334	\$ 101,000
	LTGO			\$2,100,000
	Non-major Funds			1,453,300
	Total Transfers	\$ 2,350,000	\$ 882,334	\$3,654,300
				\$ 6,886,634

Note 12 – Defined Benefit Other Postemployment Benefits Plan (OPEB)

Gig Harbor LEOFF1 Other Postemployment Benefits Plan (OPEB)

Plan description

This plan is administered by the City of Gig Harbor and is a single employer defined benefit plan with no qualifying trust.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, for the year 2023:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 1,652,717
Deferred outflows of resources	13,862

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

The city has three LEOFF 1 retirees covered by the Plan and no active LEOFF 1 employees. The Plan is closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
Total	3

Funding policy

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The city's funding policy is pay-as-you-go. During 2023, the city paid \$33,943 towards the OPEB obligation.

Actuarial Assumptions

The total OPEB liability for the city was determined using the *"2022 LEOFF 1 OPEB Actuarial Valuation Report."*

The following specific assumptions were made in developing the valuation:

- We assumed any remaining active members will retire immediately following the measurement date.
 - This approach inherently assumes that all liabilities are fully earned and the Service Cost equals zero. In other words, the Entry Age Normal Total OPEB Liability is by definition equal to the Present Value of Future Benefits. Further, we implicitly do not need to make an assumption with respect to Projected Salary Changes.
- Each cohort is assumed to be 100 percent male.
 - As of the measurement date, greater than 98 percent of the eligible LEOFF 1 population is male. For purposes of OPEB measurement, we believe this simplification is reasonable and note that it only impacts mortality assumptions selected (since the medical assumptions are already blended based upon the actual gender distribution within the eligible population). We will continue to monitor this assumption for future versions of the Tool.
- The four age-based cohorts for the OPEB measurement were based upon the overall distribution of the LEOFF 1 eligible population.
- Medical and long-term care costs were projected from June 30, 2022 to the measurement date of June 30, 2023 using the healthcare trend rates detailed in the *"2022 LEOFF 1 OPEB Actuarial Valuation Report."*

Sensitivity of Total OPEB Liability (TOL)

The following presents the total OPEB liability of the city calculated using the current healthcare cost trend rate of 5.0 percent (for members older than 65), as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ 1,496,366	\$ 1,652,717	\$ 1,832,176

The following presents the total OPEB liability of the city calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ 1,844,101	\$ 1,652,717	\$ 1,489,795

Changes in Total OPEB Liability (TOL)

Total OPEB Liability at 1/1/2023	\$1,556,068
Service cost	-
Interest	53,952
Changes in benefit terms	-
Differences between expected and actual experience	107,244
Changes of assumptions	-
Benefit payments	(33,943)
Other changes	-
Total OPEB Liability at 12/31/2023	\$1,652,717

The measurement date for the Total OPEB Liability is 6/30/2023.

At December 31, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$ 13,862	\$ -
TOTAL*	\$ 13,862	\$ -

Deferred outflows of resources of \$13,862 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. There are no other deferred outflows and deferred inflows of resources related to OPEB.

Note 13 – Leases

Leases Payable

As of 12/31/2023, Gig Harbor, WA had 3 active leases. The leases have payments that range from \$436 to \$9,863 and interest rates that range from 0.4257% to 2.7360%. As of 12/31/2023, the total combined value of the lease liability is \$110,195. The combined value of the right to use asset, as of 12/31/2023 of \$123,063 with accumulated amortization of \$11,425 is included within the Lease Class activities table found below. The leases had \$0 of Variable Payments and \$0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Equipment	123,063	11,425
Total Leases	123,063	11,425

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	24,163	2,568	26,731
2025	23,010	1,969	24,979
2026	23,621	1,359	24,979
2027	24,609	730	25,339
2028	14,792	128	14,920

Principal and Interest Expected to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	19,450	401	19,851
2025	10,390	281	10,671
2026	6,597	210	6,807
2027	2,772	171	2,943
2028	2,805	138	2,943
2029 - 2033	8,620	209	8,829

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Activity (Rollforward Schedule)

GOVERNMENTAL ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Liability				
Equipment				
Copy Machines-ADMIN	-	110,752	8,895	101,857
Postage Meter	7,014	-	424	6,590
WWTP-Pacific Office Automation, Inc. - Konica Minolta C:	3,489	-	1,741	1,748
Total Equipment Lease Liability	10,503	110,752	11,060	110,195
Total Lease Liability	10,503	110,752	11,060	110,195
GOVERNMENTAL ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Assets				
Equipment				
Copy Machines-ADMIN	-	110,827	-	110,827
Postage Meter	7,014	-	-	7,014
WWTP-Pacific Office Automation, Inc. - Konica Minolta C:	5,222	-	-	5,222
Total Equipment Lease Assets	12,236	110,827	-	123,063
Total Lease Assets	12,236	110,827	-	123,063
Lease Accumulated Amortization				
Equipment				
Copy Machines-ADMIN	-	7,572	-	7,572
Postage Meter	-	444	-	444
WWTP-Pacific Office Automation, Inc. - Konica Minolta C:	1,704	1,704	-	3,409
Total Equipment Lease Accumulated Amortization	1,704	9,720	-	11,425
Total Lease Accumulated Amortization	1,704	9,720	-	11,425
Total Governmental Lease Assets, Net	10,532	101,107	-	111,638

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Fund (Rollforward Schedule)

001-GENERAL FUND ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Liability				
Equipment				
Copy Machines-ADMIN	-	93,364	7,498	85,866
Postage Meter	5,106	-	309	4,797
Total Equipment Lease Liability	5,106	93,364	7,807	90,663
Total Lease Liability	5,106	93,364	7,807	90,663

001-GENERAL FUND ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Assets				
Equipment				
Copy Machines-ADMIN	-	93,427	-	93,427
Postage Meter	5,106	-	-	5,106
Total Equipment Lease Assets	5,106	93,427	-	98,533
Total Lease Assets	5,106	93,427	-	98,533

Lease Accumulated Amortization

Equipment				
Copy Machines-ADMIN	-	6,383	-	6,383
Postage Meter	-	323	-	323
Total Equipment Lease Accumulated Amortization	-	323	-	323
Total Lease Accumulated Amortization	-	323	-	323
Total 001-General Fund Lease Assets, Net	5,106	93,104	-	98,210

101-STREET FUND ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Liability				
Equipment				
Postage Meter	477	-	29	448
Total Equipment Lease Liability	477	-	29	448
Total Lease Liability	477	-	29	448

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

101-STREET FUND ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Assets				
Equipment				
Postage Meter	477	-	-	477
Total Equipment Lease Assets	477	-	-	477
Total Lease Assets	477	-	-	477
Lease Accumulated Amortization				
Equipment				
Postage Meter	-	30	-	30
Total Equipment Lease Accumulated Amortization	-	30	-	30
Total Lease Accumulated Amortization	-	30	-	30
Total 101-Street Fund Lease Assets, Net	477	(30)	-	447
401-WATER ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Liability				
Equipment				
Copy Machines-ADMIN	-	6,811	547	6,264
Postage Meter	477	-	29	448
Total Equipment Lease Liability	477	6,811	576	6,712
Total Lease Liability	477	6,811	576	6,712
401-WATER ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Assets				
Equipment				
Copy Machines-ADMIN	-	6,816	-	6,816
Postage Meter	477	-	-	477
Total Equipment Lease Assets	477	6,816	-	7,293
Total Lease Assets	477	6,816	-	7,293

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Lease Accumulated Amortization
Equipment

Copy Machines-ADMIN	-	466	-	466
Postage Meter	-	30	-	30
Total Equipment Lease Accumulated Amortization	-	496	-	496
Total Lease Accumulated Amortization	-	496	-	496
Total 401-Water Lease Assets, Net	477	6,320	-	6,797

402-SEWER ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Liability				
Equipment				
Copy Machines-ADMIN	-	3,766	302	3,463
Postage Meter	477	-	29	448
WWTP-Pacific Office Automation, Inc. - Konica Minolta C/	3,489	-	1,741	1,748
Total Equipment Lease Liability	3,966	3,766	2,072	5,659
Total Lease Liability	3,966	3,766	2,072	5,659

402-SEWER ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Assets				
Equipment				
Copy Machines-ADMIN	-	3,768	-	3,768
Postage Meter	477	-	-	477
WWTP-Pacific Office Automation, Inc. - Konica Minolta C/	5,222	-	-	5,222
Total Equipment Lease Assets	5,699	3,768	-	9,467
Total Lease Assets	5,699	3,768	-	9,467

Lease Accumulated Amortization
Equipment

Copy Machines-ADMIN	-	257	-	257
Postage Meter	-	30	-	30
WWTP-Pacific Office Automation, Inc. - Konica Minolta C/	1,704	1,704	-	3,409
Total Equipment Lease Accumulated Amortization	1,704	1,991	-	3,696
Total Lease Accumulated Amortization	1,704	1,991	-	3,696
Total 402-Sewer Lease Assets, Net	3,995	1,777	-	5,771

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

411-STORM ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Liability				
Equipment				
Copy Machines-ADMIN	-	6,811	547	6,264
Postage Meter	477	-	29	448
Total Equipment Lease Liability	477	6,811	576	6,712
Total Lease Liability	477	6,811	576	6,712
411-STORM ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Lease Assets				
Equipment				
Copy Machines-ADMIN	-	6,816	-	6,816
Postage Meter	477	-	-	477
Total Equipment Lease Assets	477	6,816	-	7,293
Total Lease Assets	477	6,816	-	7,293
Lease Accumulated Amortization				
Equipment				
Copy Machines-ADMIN	-	466	-	466
Postage Meter	-	30	-	30
Total Equipment Lease Accumulated Amortization	-	496	-	496
Total Lease Accumulated Amortization	-	496	-	496
Total 411-Storm Lease Assets, Net	477	6,320	-	6,797

Leases Receivable

As of 12/31/2023, Gig Harbor, WA had 4 active leases. The leases have receipts that range from \$2,943 to \$10,710 and interest rates that range from 0.5517% to 1.7100%. As of 12/31/2023, the total combined value of the lease receivable is \$50,634, and the combined value of the deferred inflow of resources is \$50,510. The leases had \$0 of Variable Receipts and \$0 of Other Receipts, not included in the Lease Receivable, within the Fiscal Year.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

GOVERNMENTAL ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Deferred Inflow of Resources				
Buildings				
Gig Harbor Canoe/Kayak-3525 Harborview Drive	-	-	-	-
Gig Harbor Chamber of Commerce-3125 Judson Street	26,721	-	7,635	19,087
Gig Harbor Cooperative Preschool-3025 96th Street NW (/	-	19,721	10,619	9,102
Tides Tavern -3003 Harborview Drive	25,112	-	2,790	22,322
Total Building Deferred Inflow of Resources	51,833	19,721	21,044	50,511
Total Deferred Inflow of Resources	51,833	19,721	21,044	50,511

GOVERNMENTAL ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Lease Receivable				
Buildings				
Gig Harbor Canoe/Kayak-3525 Harborview Drive	-	-	-	-
Gig Harbor Chamber of Commerce-3125 Judson Street	26,782	-	7,599	19,183
Gig Harbor Cooperative Preschool-3025 96th Street NW (/	-	19,721	10,587	9,134
Tides Tavern -3003 Harborview Drive	24,959	-	2,642	22,317
Total Building Lease Receivable	51,741	19,721	20,828	50,634
Total Lease Receivable	51,741	19,721	20,828	50,634

Fund (Rollforward Schedule)

001-GENERAL FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Deferred Inflow of Resources				
Buildings				
Gig Harbor Canoe/Kayak-3525 Harborview Drive	-	-	-	-
Gig Harbor Chamber of Commerce-3125 Judson Street	26,721	-	7,635	19,087
Gig Harbor Cooperative Preschool-3025 96th Street NW (/	-	19,721	10,619	9,102
Tides Tavern -3003 Harborview Drive	25,112	-	2,790	22,322
Total Building Deferred Inflow of Resources	51,833	19,721	21,044	50,511
Total Deferred Inflow of Resources	51,833	19,721	21,044	50,511

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

001-GENERAL FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Lease Receivable				
Buildings				
Gig Harbor Canoe/Kayak-3525 Harborview Drive	-	-	-	-
Gig Harbor Chamber of Commerce-3125 Judson Street	26,782	-	7,599	19,183
Gig Harbor Cooperative Preschool-3025 96th Street NW (P	-	19,721	10,587	9,134
Tides Tavern -3003 Harborview Drive	24,959	-	2,642	22,317
Total Building Lease Receivable	51,741	19,721	20,828	50,634
Total Lease Receivable	51,741	19,721	20,828	50,634

Note 14 – Subscription Based Information Technology Arrangements (SBITA)

Subscriptions Payable

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On 03/01/2023, Gig Harbor, WA entered into a 36-month subscription for the use of FlashVote Surveys Software. An initial subscription liability was recorded in the amount of \$23,092. As of 12/31/2023, the value of the subscription liability is \$15,192. Gig Harbor, WA is required to make annual fixed payments of \$7,900. The subscription has an interest rate of 2.6560%. The value of the right to use asset as of 12/31/2023 of \$23,092 with accumulated amortization of \$6,414 is included with Software on the Subscription Class activities table found below.

On 07/02/2023, Gig Harbor, WA entered into a 60-month subscription for the use of Watchguard Software. An initial subscription liability was recorded in the amount of \$128,883. As of 12/31/2023, the value of the subscription liability is \$101,697. Gig Harbor, WA is required to make annual fixed payments of \$29,579. The subscription has an interest rate of 2.7360%. The value of the right to use asset as of 12/31/2023 of \$128,883 with accumulated amortization of \$12,817 is included with Software on the Subscription Class activities table found below.

On 05/07/2023, Gig Harbor, WA entered into a 24-month subscription for the use of GoDaddy .COM Domain Software. An initial subscription liability was recorded in the amount of \$41. As of 12/31/2023, the value of the subscription liability is -\$3. Gig Harbor, WA is required to make annual fixed payments of \$48. The subscription has an interest rate of 2.4700%. The value of the right to

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

use asset as of 12/31/2023 of \$41 with accumulated amortization of \$13 is included with Software on the Subscription Class activities table found below.

On 09/01/2023, Gig Harbor, WA entered into a 36-month subscription for the use of Data Collection-Cloud Software. An initial subscription liability was recorded in the amount of \$51,471. As of 12/31/2023, the value of the subscription liability is \$33,821. Gig Harbor, WA is required to make annual fixed payments of \$19,221. The subscription has an interest rate of 2.9010%. The value of the right to use asset as of 12/31/2023 of \$51,471 with accumulated amortization of \$5,719 is included with Software on the Subscription Class activities table found below. The Vendor had a termination period of 1 month as of the subscription commencement.

On 07/31/2023, Gig Harbor, WA entered into a 36-month subscription for the use of Paessler System Monitoring Software. An initial subscription liability was recorded in the amount of \$18,227. As of 12/31/2023, the value of the subscription liability is \$11,977. Gig Harbor, WA is required to make annual fixed payments of \$6,656. The subscription has an interest rate of 2.9010%. The value of the right to use asset as of 12/31/2023 of \$18,227 with accumulated amortization of \$2,619 is included with Software on the Subscription Class activities table found below.

On 09/15/2023, Gig Harbor, WA entered into a 36-month subscription for the use of Vmware Software. An initial subscription liability was recorded in the amount of \$1,487. As of 12/31/2023, the value of the subscription liability is \$977. Gig Harbor, WA is required to make annual fixed payments of \$510. The subscription has an interest rate of 2.9010%. The value of the right to use asset as of 12/31/2023 of \$1,487 with accumulated amortization of \$146 is included with Software on the Subscription Class activities table found below.

On 05/01/2023, Gig Harbor, WA entered into a 15-month subscription for the use of Manage Engine Endpoint Software. An initial subscription liability was recorded in the amount of \$64,083. As of 12/31/2023, the value of the subscription liability is \$31,846. Gig Harbor, WA is required to make annual fixed payments of \$32,543. The subscription has an interest rate of 3.1020%. The value of the right to use asset as of 12/31/2023 of \$65,167 with accumulated amortization of \$34,756 is included with Software on the Subscription Class activities table found below.

On 06/10/2023, Gig Harbor, WA entered into a 36-month subscription for the use of ArcGIS Platform. An initial subscription liability was recorded in the amount of \$45,146. As of 12/31/2023, the value of the subscription liability is \$29,704. Gig Harbor, WA is required to make annual fixed payments of \$15,500. The subscription has an interest rate of 2.8943%. The value of the right to use asset as of 12/31/2023 of \$45,146 with accumulated amortization of \$8,402 is included with Software on the Subscription Class activities table found below.

On 01/26/2023, Gig Harbor, WA entered into a 48-month subscription for the use of Architecture Engineering Platform. An initial subscription liability was recorded in the amount of \$25,590. As of 12/31/2023, the value of the subscription liability is \$21,892. Gig Harbor, WA is required to make

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

annual fixed payments of \$4,023. The subscription has an interest rate of 2.6760%. The value of the right to use asset as of 12/31/2023 of \$25,590 with accumulated amortization of \$5,953 is included with Software on the Subscription Class activities table found below.

On 01/01/2023, Gig Harbor, WA entered into a 24-month subscription for the use of Brightly Software. An initial subscription liability was recorded in the amount of \$0. As of 12/31/2023, the value of the subscription liability is \$0. Gig Harbor, WA is required to make monthly fixed payments of \$0. The subscription has an interest rate of 2.8943%. The value of the right to use asset as of 12/31/2023 of \$0 with accumulated amortization of \$0 is included with Software on the Subscription Class activities table found below. Gig Harbor, WA has 1 extension option(s), each for 12 months.

On 01/01/2023, Gig Harbor, WA entered into a 16-month subscription for the use of AudioEye Managed Services. An initial subscription liability was recorded in the amount of \$3,565. As of 12/31/2023, the value of the subscription liability is \$0. Gig Harbor, WA is required to make annual fixed payments of \$3,605. The subscription has an interest rate of 2.8943%. The value of the right to use asset as of 12/31/2023 of \$4,315 with accumulated amortization of \$3,120 is included with Software on the Subscription Class activities table found below.

On 04/21/2023, Gig Harbor, WA entered into a 24-month subscription for the use of CivicPlus-CivicClerk-Live Meeting Manager. An initial subscription liability was recorded in the amount of \$27,311. As of 12/31/2023, the value of the subscription liability is \$13,755. Gig Harbor, WA is required to make annual fixed payments of \$13,620. The subscription has an interest rate of 2.7070%. The value of the right to use asset as of 12/31/2023 of \$31,625 with accumulated amortization of \$10,981 is included with Software on the Subscription Class activities table found below. Gig Harbor, WA has 1 extension option(s), each for 12 months.

On 01/01/2023, Gig Harbor, WA entered into a 19-month subscription for the use of Sendio Hosted Spam Software. An initial subscription liability was recorded in the amount of \$5,593. As of 12/31/2023, the value of the subscription liability is \$0. Gig Harbor, WA is required to make annual fixed payments of \$5,687. The subscription has an interest rate of 2.7070%. The value of the right to use asset as of 12/31/2023 of \$5,593 with accumulated amortization of \$3,448 is included with Software on the Subscription Class activities table found below.

On 01/11/2023, Gig Harbor, WA entered into a 24-month subscription for the use of CivicPlus-Website Hosting. An initial subscription liability was recorded in the amount of \$28,764. As of 12/31/2023, the value of the subscription liability is \$14,230. Gig Harbor, WA is required to make annual fixed payments of \$14,563. The subscription has an interest rate of 3.1020%. The value of the right to use asset as of 12/31/2023 of \$28,764 with accumulated amortization of \$13,982 is included with Software on the Subscription Class activities table found below. Gig Harbor, WA has 1 extension option(s), each for 12 months.

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 429,402	\$ 108,370
Total Subscriptions	\$ 429,402	\$ 108,370

Principal and Interest Requirements to Maturity

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 29,376	\$ 1,280	\$ 30,656
2025	13,416	499	13,915
2026	4,495	120	4,615
Total Principal Payments	47,287		
Cumulative Variance as of Fiscal Year	-		
Total Remaining Liability	47,287		

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	107,151	6,220	113,370
2025	65,433	3,340	68,773
2026	28,754	1,509	30,263
2027	26,463	\$ 724	\$ 27,187
Total Principal Payments	227,801		
Cumulative Variance as of Fiscal Year	-		
Total Remaining Liability	\$ 227,801		

Activity (Rollforward Schedule)

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

GOVERNMENTAL ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	18,058	6,177	11,882
Architecture Engineering Platform	-	10,236	1,479	8,757
AudioEye Managed Services	3,565	-	3,565	-
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	19,850	9,853	9,997
CivicPlus-Website Hosting	-	20,946	10,583	10,362
Data Collection-Cloud Software	-	51,471	17,650	33,821
FlashVote Surveys Software	-	23,092	7,900	15,192
GoDaddy .COM Domain Software	-	41	44	(3)
Manage Engine Endpoint Software	-	46,569	23,427	23,143
Paessler System Monitoring Software	-	18,227	6,250	11,977
Sendio Hosted Spam Software	5,593	-	5,593	-
Vmware Software	-	1,487	510	977
Watchguard Software	-	128,883	27,187	101,697
Total Software Subscription Liability	9,158	338,860	120,218	227,802
Total Subscription Liability	9,158	338,860	120,218	227,802

GOVERNMENTAL ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	18,058	-	18,058
Architecture Engineering Platform	-	10,236	-	10,236
AudioEye Managed Services	4,315	-	-	4,315
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	22,985	-	22,985
CivicPlus-Website Hosting	-	20,946	-	20,946
Data Collection-Cloud Software	-	51,471	-	51,471
FlashVote Surveys Software	-	23,092	-	23,092
GoDaddy .COM Domain Software	-	41	-	41
Manage Engine Endpoint Software	-	47,357	-	47,357
Paessler System Monitoring Software	-	18,227	-	18,227
Sendio Hosted Spam Software	5,593	-	-	5,593
Vmware Software	-	1,487	-	1,487
Watchguard Software	-	128,883	-	128,883
Total Software Subscription Assets	9,908	342,783	-	352,691
Total Subscription Assets	9,908	342,783	-	352,691

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Subscription Accumulated Amortization
Software

ArcGIS Platform	-	3,361	-	3,361
Architecture Engineering Platform	-	2,381	-	2,381
AudioEye Managed Services	-	3,120	-	3,120
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	7,981	-	7,981
CivicPlus-Website Hosting	-	10,182	-	10,182
Data Collection-Cloud Software	-	5,719	-	5,719
FlashVote Surveys Software	-	6,414	-	6,414
GoDaddy .COM Domain Software	-	13	-	13
Manage Engine Endpoint Software	-	25,257	-	25,257
Paessler System Monitoring Software	-	2,619	-	2,619
Sendio Hosted Spam Software	-	3,448	-	3,448
Vmware Software	-	146	-	146
Watchguard Software	-	12,817	-	12,817
Total Software Subscription Accumulated Amortization	-	83,458	-	83,458
Total Subscription Accumulated Amortization	-	83,458	-	83,458
Total Governmental Subscription Assets, Net	9,908	259,325	-	269,233

BUSINESS-TYPE ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	27,088	9,265	17,823
Architecture Engineering Platform	-	15,354	2,219	13,135
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	7,461	3,703	3,758
CivicPlus-Website Hosting	-	7,818	3,950	3,868
Manage Engine Endpoint Software	-	17,514	8,810	8,704
Total Software Subscription Liability	-	75,235	27,947	47,288
Total Subscription Liability	-	75,235	27,947	47,288

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

BUSINESS-TYPE ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	27,088	-	27,088
Architecture Engineering Platform	-	15,354	-	15,354
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	8,640	-	8,640
CivicPlus-Website Hosting	-	7,818	-	7,818
Manage Engine Endpoint Software	-	17,810	-	17,810
Total Software Subscription Assets	-	76,710	-	76,710
Total Subscription Assets	-	76,710	-	76,710
Subscription Accumulated Amortization				
Software				
ArcGIS Platform	-	5,041	-	5,041
Architecture Engineering Platform	-	3,572	-	3,572
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	3,000	-	3,000
CivicPlus-Website Hosting	-	3,800	-	3,800
Manage Engine Endpoint Software	-	9,499	-	9,499
Total Software Subscription Accumulated Amortization	-	24,912	-	24,912
Total Subscription Accumulated Amortization	-	24,912	-	24,912
Total Business-Type Subscription Assets, Net	-	51,798	-	51,798

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Fund (Rollforward Schedule)

001-GENERAL FUND ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	9,029	3,088	5,941
Architecture Engineering Platform	-	5,118	740	4,378
AudioEye Managed Services	3,565	-	3,565	-
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	16,771	8,324	8,446
CivicPlus-Website Hosting	-	17,782	8,985	8,797
Data Collection-Cloud Software	-	51,471	17,650	33,821
FlashVote Surveys Software	-	23,092	7,900	15,192
GoDaddy .COM Domain Software	-	41	44	(3)
Manage Engine Endpoint Software	-	39,347	19,794	19,554
Paessler System Monitoring Software	-	18,227	6,250	11,977
Sendio Hosted Spam Software	5,593	-	5,593	-
Vmware Software	-	1,487	510	977
Watchguard Software	-	128,883	27,187	101,697
Total Software Subscription Liability	9,158	311,248	109,630	210,777
Total Subscription Liability	9,158	311,248	109,630	210,777

001-GENERAL FUND ACTIVITIES:	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	9,029	-	9,029
Architecture Engineering Platform	-	5,118	-	5,118
AudioEye Managed Services	4,315	-	-	4,315
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	19,420	-	19,420
CivicPlus-Website Hosting	-	17,782	-	17,782
Data Collection-Cloud Software	-	51,471	-	51,471
FlashVote Surveys Software	-	23,092	-	23,092
GoDaddy .COM Domain Software	-	41	-	41
Manage Engine Endpoint Software	-	40,013	-	40,013
Paessler System Monitoring Software	-	18,227	-	18,227
Sendio Hosted Spam Software	5,593	-	-	5,593
Vmware Software	-	1,487	-	1,487
Watchguard Software	-	128,883	-	128,883
Total Software Subscription Assets	9,908	314,563	-	324,471
Total Subscription Assets	9,908	314,563	-	324,471

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Subscription Accumulated Amortization
Software

ArcGIS Platform	-	1,680	-	1,680
Architecture Engineering Platform	-	1,191	-	1,191
AudioEye Managed Services	-	3,120	-	3,120
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	6,743	-	6,743
CivicPlus-Website Hosting	-	8,644	-	8,644
Data Collection-Cloud Software	-	5,719	-	5,719
FlashVote Surveys Software	-	6,414	-	6,414
GoDaddy .COM Domain Software	-	13	-	13
Manage Engine Endpoint Software	-	21,340	-	21,340
Paessler System Monitoring Software	-	2,619	-	2,619
Sendio Hosted Spam Software	-	3,448	-	3,448
Vmware Software	-	146	-	146
Watchguard Software	-	12,817	-	12,817
Total Software Subscription Accumulated Amortization	-	73,894	-	73,894
Total Subscription Accumulated Amortization	-	73,894	-	73,894
Total 001-General Fund Subscription Assets, Net	9,908	240,669	-	250,577

101-STREET FUND ACTIVITIES:

	Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	9,029	3,088	5,941
Architecture Engineering Platform	-	5,118	740	4,378
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	3,079	1,528	1,551
CivicPlus-Website Hosting	-	3,164	1,599	1,565
Manage Engine Endpoint Software	-	7,222	3,633	3,589
Total Software Subscription Liability	-	27,612	10,588	17,024
Total Subscription Liability	-	27,612	10,588	17,024

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

101-STREET FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	9,029	-	9,029
Architecture Engineering Platform	-	5,118	-	5,118
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	3,566	-	3,566
CivicPlus-Website Hosting	-	3,164	-	3,164
Manage Engine Endpoint Software	-	7,344	-	7,344
Total Software Subscription Assets	-	28,221	-	28,221
Total Subscription Assets	-	28,221	-	28,221
Subscription Accumulated Amortization				
Software				
ArcGIS Platform	-	1,680	-	1,680
Architecture Engineering Platform	-	1,191	-	1,191
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	1,238	-	1,238
CivicPlus-Website Hosting	-	1,538	-	1,538
Manage Engine Endpoint Software	-	3,917	-	3,917
Total Software Subscription Accumulated Amortization	-	9,564	-	9,564
Total Subscription Accumulated Amortization	-	9,564	-	9,564
Total 101-Street Fund Subscription Assets, Net	-	18,657	-	18,657
401-WATER FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	9,029	3,088	5,941
Architecture Engineering Platform	-	5,118	740	4,378
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	2,203	1,093	1,109
CivicPlus-Website Hosting	-	2,301	1,163	1,138
Manage Engine Endpoint Software	-	5,172	2,602	2,570
Total Software Subscription Liability	-	23,823	8,686	15,136
Total Subscription Liability	-	23,823	8,686	15,136

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

401-WATER FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	9,029	-	9,029
Architecture Engineering Platform	-	5,118	-	5,118
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	2,551	-	2,551
CivicPlus-Website Hosting	-	2,301	-	2,301
Manage Engine Endpoint Software	-	5,259	-	5,259
Total Software Subscription Assets	-	24,258	-	24,258
Total Subscription Assets	-	24,258	-	24,258
Subscription Accumulated Amortization				
Software				
ArcGIS Platform	-	1,680	-	1,680
Architecture Engineering Platform	-	1,191	-	1,191
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	886	-	886
CivicPlus-Website Hosting	-	1,119	-	1,119
Manage Engine Endpoint Software	-	2,805	-	2,805
Total Software Subscription Accumulated Amortization	-	7,681	-	7,681
Total Subscription Accumulated Amortization	-	7,681	-	7,681
Total 401-Water Fund Subscription Assets, Net	-	16,577	-	16,577
402-SEWER FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	9,029	3,088	5,941
Architecture Engineering Platform	-	5,118	740	4,378
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	3,790	1,881	1,909
CivicPlus-Website Hosting	-	4,027	2,035	1,992
Manage Engine Endpoint Software	-	8,895	4,475	4,420
Total Software Subscription Liability	-	30,859	12,219	18,640
Total Subscription Liability	-	30,859	12,219	18,640

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

402-SEWER FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	9,029	-	9,029
Architecture Engineering Platform	-	5,118	-	5,118
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	4,389	-	4,389
CivicPlus-Website Hosting	-	4,027	-	4,027
Manage Engine Endpoint Software	-	9,045	-	9,045
Total Software Subscription Assets	-	31,608	-	31,608
Total Subscription Assets	-	31,608	-	31,608
Subscription Accumulated Amortization				
Software				
ArcGIS Platform	-	1,680	-	1,680
Architecture Engineering Platform	-	1,191	-	1,191
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	1,524	-	1,524
CivicPlus-Website Hosting	-	1,958	-	1,958
Manage Engine Endpoint Software	-	4,824	-	4,824
Total Software Subscription Accumulated Amortization	-	11,177	-	11,177
Total Subscription Accumulated Amortization	-	11,177	-	11,177
Total 402-Sewer Fund Subscription Assets, Net	-	20,431	-	20,431
411-STORM FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Liability				
Software				
ArcGIS Platform	-	9,029	3,088	5,941
Architecture Engineering Platform	-	5,118	740	4,378
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	1,469	729	740
CivicPlus-Website Hosting	-	1,490	753	737
Manage Engine Endpoint Software	-	3,448	1,734	1,713
Total Software Subscription Liability	-	20,554	7,044	13,509
Total Subscription Liability	-	20,554	7,044	13,509

CITY OF GIG HARBOR
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

411-STORM FUND ACTIVITIES:	Balance as of			Balance as of
	January 1, 2023	Additions	Reductions	December 31, 2023
Subscription Assets				
Software				
ArcGIS Platform	-	9,029	-	9,029
Architecture Engineering Platform	-	5,118	-	5,118
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	1,700	-	1,700
CivicPlus-Website Hosting	-	1,490	-	1,490
Manage Engine Endpoint Software	-	3,506	-	3,506
Total Software Subscription Assets	-	20,843	-	20,843
Total Subscription Assets	-	20,843	-	20,843
Subscription Accumulated Amortization				
Software				
ArcGIS Platform	-	1,680	-	1,680
Architecture Engineering Platform	-	1,191	-	1,191
Brightly Software	-	-	-	-
CivicPlus-CivicClerk-Live Meeting Manager	-	590	-	590
CivicPlus-Website Hosting	-	724	-	724
Manage Engine Endpoint Software	-	1,870	-	1,870
Total Software Subscription Accumulated Amortization	-	6,055	-	6,055
Total Subscription Accumulated Amortization	-	6,055	-	6,055
Total 411-Storm Fund Subscription Assets, Net	-	14,788	-	14,788

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
General Fund

	2023 Biennial Budget		Actual Amounts	Variance
	Original	Final		
Revenues				
Taxes	\$ 29,361,279	\$ 29,164,026	\$ 14,390,033	\$ (14,773,993)
Licenses and permits	4,081,497	1,716,003	894,743	(821,260)
Intergovernmental revenues	434,236	1,845,998	4,128,897	2,282,899
Charges for services	455,429	271,072	174,956	(96,116)
Fines and forfeits	111,456	104,857	59,920	(44,937)
Miscellaneous	738,503	1,163,822	708,570	(455,252)
Total revenues	35,182,400	34,265,778	20,357,119	(13,908,659)
Expenditures				
Current:				
Judicial	1,234,040	1,300,654	590,416	710,238
General government	8,273,556	7,834,102	3,477,756	4,356,346
Security of persons and property	11,024,630	10,855,613	5,014,485	5,841,128
Physical environment	25,047	25,047	11,976	13,071
Economic environment	5,587,138	5,021,232	2,564,814	2,456,418
Mental and physical health	28,000	31,582	13,700	17,882
Culture and recreation	4,146,392	3,872,835	1,514,316	2,358,519
Interest	-	-	101,347	(101,347)
Capital outlay	3,445,000	3,463,532	1,189,874	2,273,658
Total expenditures	33,763,803	32,404,597	14,478,684	17,925,913
Excess of revenues over (under) expenditures	1,418,597	1,861,181	5,878,435	4,017,254
Other financing sources (uses)				
Capital asset disposal	-	11,833	81,904	70,071
Transfers in	-	1,442	-	(1,442)
Transfers out	(5,730,000)	(7,255,000)	(3,333,334)	3,921,666
Total other financing sources (uses)	(5,730,000)	(7,241,725)	(3,251,430)	3,990,295
Net change in fund balance	(4,311,403)	(5,380,544)	2,627,005	8,007,549
Fund balance - beginning	6,319,652	7,424,597	6,567,528	(857,069)
Fund balance - ending	\$ 2,008,249	\$ 2,044,053	\$ 9,194,533	\$ 7,150,480
Adjustment to generally accepted accounting principles (GAAP) basis:				
Senior Services Fund			\$ 212,845	
Pedestrian safety Fund			229,745	
Public Art Capital Projects Fund			26,622	
Strategic Reserve Fund			2,879,797	
Equipment Reserve Fund			522,436	
General Fund Budget basis			\$ 13,065,978	

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Revenues, Expenditures,
Changes in Fund Balances-Budget and Actual
Street Operating Fund

	<u>2023 Annual Budget</u>		<u>Actual</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Amounts</u>	<u>Variance</u>
Revenues				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 18,000	\$ (2,000)
Intergovernmental revenues	237,039	237,039	249,590	12,551
Charges for Service	60,000	60,000	58,580	(1,420)
Miscellaneous	2,500	2,500	24,354	21,854
Total revenues	319,539	319,539	350,524	30,985
Expenditures				
Current:				
Transportation	5,372,726	5,255,586	2,505,124	2,750,462
Capital outlay	250,667	250,667	212,093	38,574
Total expenditures	5,623,393	5,506,253	2,717,217	2,789,036
Excess of revenues over (under) expenditures	<u>(5,303,854)</u>	<u>(5,186,714)</u>	<u>(2,366,693)</u>	<u>2,820,021</u>
Other financing sources (uses)				
Transfers in	4,700,000	4,700,000	2,350,000	(2,350,000)
Total other financing sources (uses)	<u>4,700,000</u>	<u>4,700,000</u>	<u>2,350,000</u>	<u>(2,350,000)</u>
Net change in fund balance	(603,854)	(486,714)	(16,693)	470,021
Fund balances - beginning	766,066	733,278	733,278	-
Fund balances - ending	\$ 162,212	\$ 246,564	\$ 716,585	\$ 470,021

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Changes in Total OPEB Liability and Related Ratios
Gig Harbor LEOFF1 OPEB Plan
For the year ended December 31, 2023
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022	2023
Total OPEB liability - beginning	\$ 2,168,093	\$ 2,086,295	\$ 1,700,044	\$ 1,996,350	\$ 1,880,205	\$ 1,556,068
Service cost	-	-	-	-	-	-
Interest	76,554	78,589	58,566	43,388	39,889	53,952
Changes in experience data & assumptions	(98,386)	(352,637)	291,678	(92,954)	(296,665)	107,244
Changes in benefit terms	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-
Estimated benefit payments	(59,966)	(112,203)	(53,938)	(66,579)	(67,361)	(64,547)
Total OPEB liability - ending	<u>\$ 2,086,295</u>	<u>\$ 1,700,044</u>	<u>\$ 1,996,350</u>	<u>\$ 1,880,205</u>	<u>\$ 1,556,068</u>	<u>\$ 1,652,717</u>
Covered-employee payroll**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a % of covered payroll	NA	NA	NA	NA	NA	NA

Notes to Schedule:

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

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

** Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246)

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net pension liability (asset)	0.047694%	0.047273%	0.047672%	0.048376%	0.048412%	0.046555%	0.041943%	0.040978%	0.040692%	0.059864%
Employer's proportionate share of the net pension liability	\$ 2,402,608	\$ 2,381,400	\$ 2,560,211	\$ 2,295,479	\$ 2,162,096	\$ 1,790,205	\$ 1,480,814	\$ 500,437	\$ 1,133,015	\$ 1,366,535
TOTAL	2,402,608	2,381,400	2,560,211	2,295,479	2,162,096	1,790,205	1,480,814	500,437	1,133,015	1,366,535
Employer's covered employee payroll	\$ 5,291,050	\$ 5,417,650	\$ 5,691,822	\$ 6,102,114	\$ 6,445,696	\$ 6,534,829	\$ 6,366,457	\$ 6,298,754	\$ 6,316,384	\$ 7,118,466
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.41%	43.96%	44.98%	37.62%	33.54%	27.39%	23.26%	7.95%	17.94%	19.20%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net pension liability (asset)	0.061406%	0.061119%	0.061113%	0.062254%	0.062178%	0.060116%	0.054624%	0.052663%	0.053052%	0.051493%
Employer's proportionate share of the net pension liability	\$ 1,241,237	\$ 2,183,817	\$ 3,076,991	\$ 2,163,029	\$ 1,061,634	\$ 583,931	\$ 698,610	\$ (5,246,082)	\$ (1,967,582)	\$ (2,110,535)
TOTAL	1,241,237	2,183,817	3,076,991	2,163,029	1,061,634	583,931	698,610	(5,246,082)	(1,967,582)	(2,110,535)
Employer's covered employee payroll	\$ 5,291,050	\$ 5,417,650	\$ 5,691,822	\$ 6,102,114	\$ 6,445,696	\$ 6,534,829	\$ 6,366,457	\$ 6,298,754	\$ 6,316,384	\$ 7,118,466
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.46%	40.31%	54.06%	35.45%	16.47%	8.94%	10.97%	-83.29%	-31.15%	-29.65%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%	107.02%

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net pension liability (asset)	0.006248%	0.006300%	0.006368%	0.006458%	0.006912%	0.006642%	0.006788%	0.006866%	0.007147%	0.007323%
Employer's proportionate share of the net pension liability (asset)	\$ (75,775)	\$ (75,929)	\$ (65,609)	\$ (97,982)	\$ (125,487)	\$ (131,287)	\$ (128,192)	\$ (238,282)	\$ (205,020)	\$ (217,348)
TOTAL	\$ (75,775)	\$ (75,929)	\$ (65,609)	\$ (97,982)	\$ (125,487)	\$ (131,287)	\$ (128,192)	\$ (238,282)	\$ (205,020)	\$ (217,348)
Employer's covered employee payroll	-	-	-	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%	169.62%	175.99%

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net pension liability (asset)	0.051019%	0.052564%	0.053612%	0.054039%	0.060586%	0.057660%	0.055234%	0.055052%	0.058682%	0.059864%
Employer's proportionate share of the net pension liability (asset)	\$ (677,044)	\$ (540,253)	\$ (311,823)	\$ (749,886)	\$ (1,230,028)	\$ (1,335,805)	\$ (1,126,693)	\$ (3,197,648)	\$ (1,594,800)	\$ (1,435,897)
State's proportionate share of the net pension liability (asset) associated with the employer	(408,164)	(357,216)	(203,286)	(486,437)	(796,420)	(874,773)	(720,435)	(2,062,832)	(2,062,832)	(2,062,832)
TOTAL	(1,085,208)	(897,469)	(515,109)	(1,236,323)	(2,026,448)	(2,210,578)	(1,847,128)	(5,260,480)	(3,657,632)	(3,498,729)
Employer's covered employee payroll	\$ 1,462,846	\$ 1,525,609	\$ 1,624,121	\$ 1,690,429	\$ 1,969,733	\$ 1,980,033	\$ 2,059,577	\$ 2,120,083	\$ 2,341,696	\$ 2,595,140
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	74.18%	58.83%	31.72%	73.14%	102.88%	111.64%	89.68%	248.13%	156.20%	134.82%
Plan fiduciary net position as a percentage of the total pension liability	116.75%	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%	116.09%	113.17%

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Employer Contributions
PERS 1
As of December 31, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required contributions	\$ 206,532	\$ 239,502	\$ 285,061	\$ 294,277	\$ 338,779	\$ 318,567	\$ 310,532	\$ 269,705	\$ 255,788	\$ 263,174
Contributions in relation to the statutorily or contractually required contributions	(206,532)	(239,502)	(285,061)	(294,277)	(338,779)	(318,567)	(310,532)	(269,705)	(255,788)	(263,174)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employer payroll	\$ 5,291,050	\$ 5,490,664	\$ 5,977,738	\$ 6,021,538	\$ 6,735,194	\$ 6,422,801	\$ 6,483,904	\$ 6,167,775	\$ 6,833,894	\$ 7,610,178
Contributions as a percentage of covered employee payroll	3.90%	4.36%	4.77%	4.89%	5.03%	4.96%	4.79%	4.37%	3.74%	3.46%

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required contributions	\$ 207,599	\$ 315,640	\$ 372,490	\$ 409,307	\$ 504,466	\$ 494,804	\$ 513,525	\$ 447,268	\$ 434,637	\$ 484,008
Contributions in relation to the statutorily or contractually required contributions	(207,599)	(315,640)	(372,490)	(409,307)	(504,466)	(494,804)	(513,525)	(447,268)	(434,637)	(484,008)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employer payroll	\$ 5,291,050	\$ 5,490,664	\$ 5,977,738	\$ 6,021,538	\$ 6,563,519	\$ 6,422,801	\$ 6,483,904	\$ 6,167,775	\$ 6,833,894	\$ 7,610,178
Contributions as a percentage of covered employee payroll	3.92%	5.75%	6.23%	6.80%	7.69%	7.70%	7.92%	7.25%	6.36%	6.36%

CITY OF GIG HARBOR
Required Supplementary Information
For the Year Ended December 31, 2023

City of Gig Harbor
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2023
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required contributions	\$ 73,874	\$ 79,240	\$ 81,416	\$ 91,960	\$ 98,975	\$ 100,173	\$ 113,306	\$ 111,585	\$ 124,949	\$ 140,006
Contributions in relation to the statutorily or contractually required contributions	(73,874)	(79,240)	(81,416)	(91,960)	(98,975)	(100,173)	(113,306)	(111,585)	(124,949)	(140,006)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employer payroll	\$ 1,462,846	\$ 1,511,378	\$ 1,615,202	\$ 1,775,362	\$ 2,017,249	\$ 1,885,714	\$ 2,176,220	\$ 2,151,586	\$ 2,408,566	\$ 2,683,754
Contributions as a percentage of covered employee payroll	5.05%	5.24%	5.04%	5.18%	4.91%	5.31%	5.21%	5.19%	5.19%	5.22%

CITY OF GIG HARBOR
Other Information
For the Year Ended December 31, 2023

Parity Bond Debt Service Coverage
City of Gig Harbor Water and Sewer Utility

	<u>2023</u>
Operating revenues:	
Charges for sales and services:	
Water sales	\$ 3,023,151
Sewer charges	6,479,068
Connection fees	388,653
Other fees and charges	140,955
Utility taxes	269,454
Total operating revenues	<u>10,301,281</u>
Operating expenses:	
Operations and maintenance	3,576,662
Administration	1,695,385
Utility taxes	210,361
Total operating expenses	<u>5,482,407</u>
Operating income (loss)	<u>4,818,874</u>
Nonoperating revenues (expenses):	
Investment interest revenue	1,172,022
Intergovernmental and grants	66,457
Gain on sale of capital assets	(2,084)
Total nonoperating revenues (expenses)	<u>1,236,395</u>
Revenue Available for Debt Service	<u>\$ 6,055,269</u>
Maximum principal and interest due in succeeding years	\$ 2,271,389
Coverage	2.67x
Number of utility customers, as of December 31, 2023:	
Sewer	3,777
Water	3,448

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.

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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.

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