



City of Federal Way Washington



# 2022 Annual Comprehensive Financial Report

For the year ended December 31, 2022





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## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**For the Year Ended December 31, 2022**

City of Federal Way  
33325 8<sup>th</sup> Avenue South  
Federal Way, Washington 98003  
(253) 835-2520

[www.cityoffederalway.com](http://www.cityoffederalway.com)

**Prepared by the Finance Department**

**Finance Director**  
Steve Groom, CGFM

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## For the Year Ended December 31, 2022

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June xx, 2023

People of the City of Federal Way  
Honorable Mayor and City Council

This 2022 Annual Comprehensive Financial Report (ACFR) of the City of Federal Way, Washington, is published annually and is certified and filed with the Washington State Auditor's Office in compliance with state law (RCW43.09.230). The accuracy of the data, completeness and fairness of the presentation, including all disclosures rests with the City management. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included with the financial statements.

The City operates under a system of accounting and internal controls that are concerned with safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute assurance, that the objectives expressed in it will be accomplished by the financial systems. The concept of reasonable assurance recognizes that the expected benefits of internal controls should not be exceeded by the costs of the controls.

This transmittal letter contains information complementary to the Management Discussion & Analysis (MD&A), so should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

## REPORTING ENTITY

The City of Federal Way occupies approximately 22.5 square miles, with approximately 4 miles of shoreline on Puget Sound, centrally located on the Interstate 5 corridor, 25 miles south of Seattle, 16 miles south of the Seattle-Tacoma International airport, 8 miles north of Tacoma, and 38 miles north of Olympia.

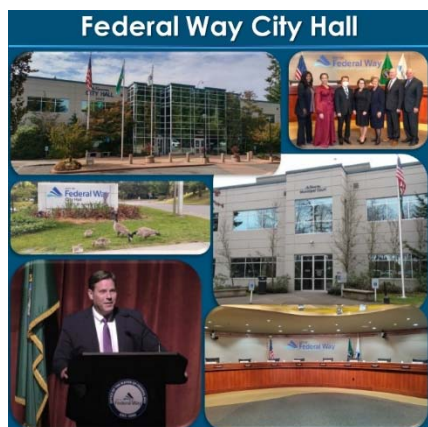
The City operates as a Non-charter Optional Code City with a Mayor-Council form of government. The Mayor, and the City Council consisting of seven council members, are all elected at large by citizens of Federal Way to serve staggered four-year terms. The City was incorporated on February 28, 1990, and is governed under the provisions of the Optional Municipal Code of the Revised Code of Washington. Optional Code City status increases the City's operating authority by extending it to the powers of all four city classifications which exist in Washington Law.

City services provided to citizens and taxpayers include: police protection, street construction and maintenance, building inspection, municipal court services, jail services, planning and zoning, park services, emergency management services, surface water management and general administration, including city clerk, finance, IT, human resources, and legal. Services for a land use hearing examiner are contracted. City management is organized with ten major departments consisting of (1) Mayor's Office; (2) City Council; (3) Law; (4) Finance; (5) Municipal Court; (6) Parks and Recreation; (7) Public Works; (8) Police; (9) Community Development; (10) and Information Technology.





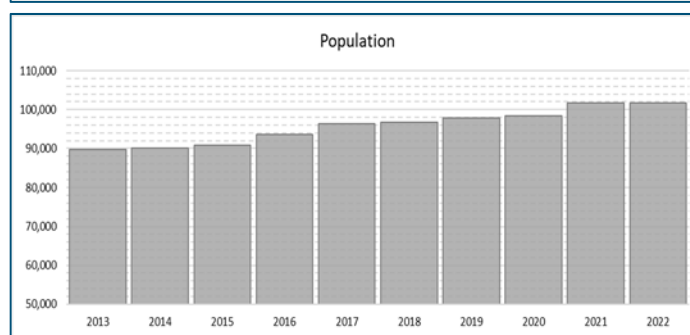
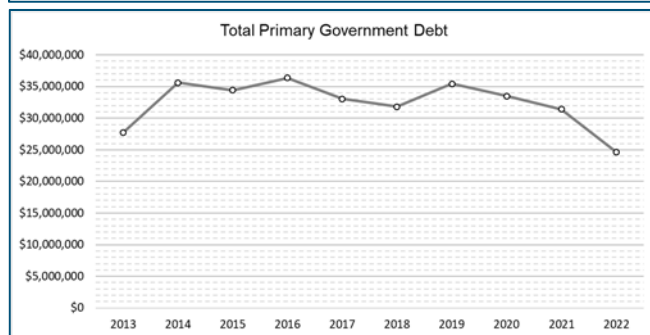
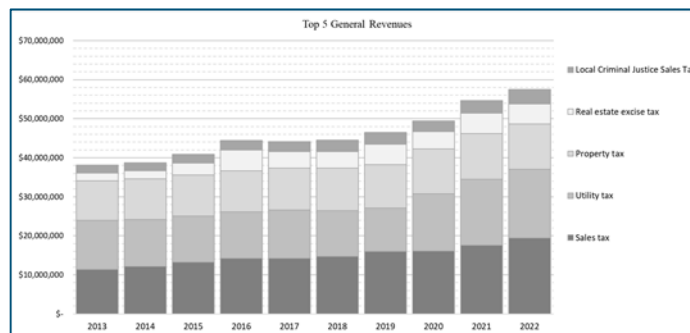
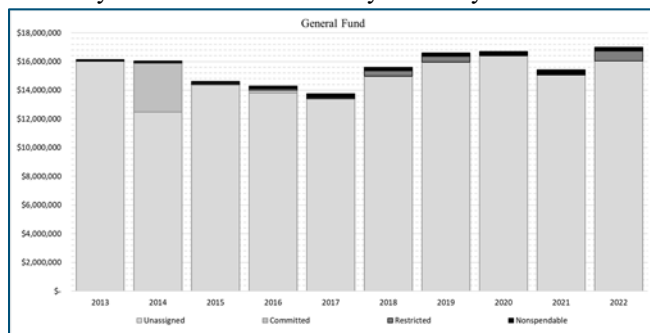
The City owns and operates City Hall, the Federal Way Community Center, the Dumas Bay conference and retreat Centre, and the Federal Way Performing Arts and Events Center, and 28 parks covering 1,000 acres.



The city complements several overlapping government agencies. Fire protection and emergency medical services are provided by South King Fire & Rescue. Lakehaven Utility District delivers water and sewer services. King County Metro provides public transportation services. Public housing services are the primary focus of the King County Housing Authority. The King County Library System engages City residents through its library and reference services. School District No. 210 offers educational programs for kindergarten through high school students, and vocational training.

### ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

The current economic condition, during 2022, demonstrated recovery, as have most cities in the United States, from the economic effects of the COVID-19 pandemic. Sales Tax, Lodging Tax and Real Estate Excise Tax, as discussed below, demonstrated the resiliency of the local Federal Way economy.



The city was awarded approximately \$19.2 million in American Rescue Plan Act (ARPA) grant funding, to help the City restore fiscal strength and sustainability as a result of the economic effects of the pandemic. Throughout the pandemic and since, the City's management has worked to maintain service levels as much as possible, and to report revenues and other local economic consequences of the pandemic transparently and accurately. The City continues to monitor and manage all options to adjust

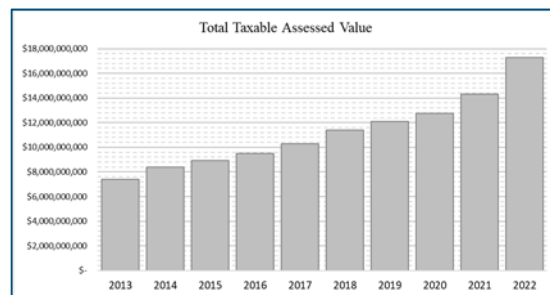


service levels and budgetary responses and has deployed ARPA funds judiciously and cautiously, seeking to gain the most value in terms of service delivery and on-going fiscal strength and resiliency.

## PROPERTY VALUES

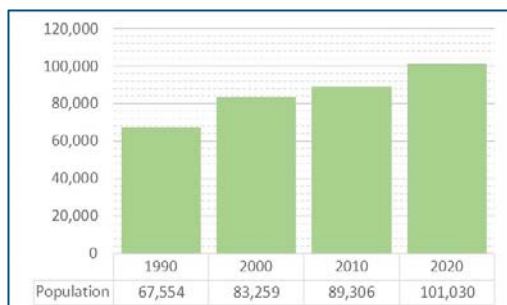
Assessed Value is another factor in measuring the local economy. In 2022, the total assessed value of real property in Federal Way was \$17.1 billion, which was approximately 19.5% higher than the 2021 assessed valuation of \$14.3 billion. Over the past ten years, since 2013, the appraised value of real property within Federal Way has more than doubled. Most of the increase has been the result of residential development.

Overall assessed values provide a better indication of new development than measuring the tax levy received by the City as revenue, since property tax is capped at 1% for existing property values. For that reason, the additional value added to Federal Way property owners has been at a pace exceeding the pace of increase in property tax.



In 2022, there were 37,990 housing units in Federal Way, a slight increase over 2021 of 37,951 housing units. Of these units, 54% or 20,595 were single family homes, 43% or 16,066 were multi-family units, and 3% or 1,329 were mobile homes and trailers.

## DEMOGRAPHICS

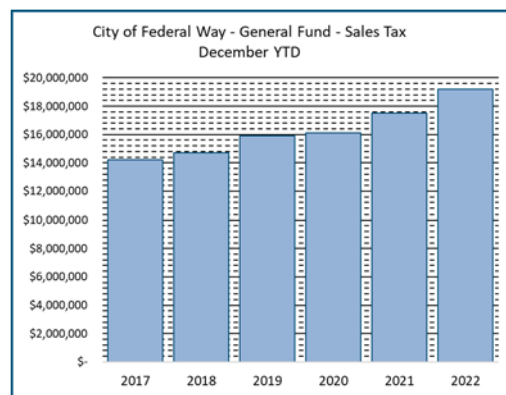


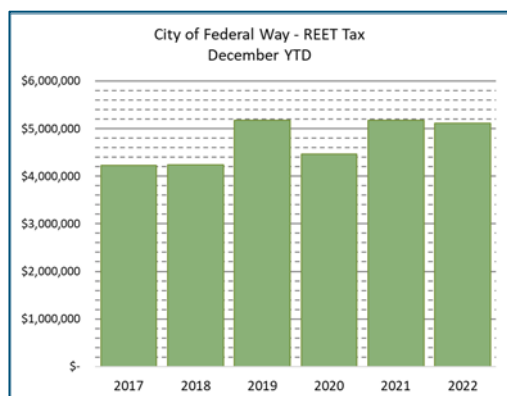
Federal Way continues to grow, currently the tenth most populated city in the state of Washington according to U.S. 2020 Census with 101,030 people after City of Spokane Valley (102,976) and Renton (106,785) and ahead of Yakima (96,968). The graph to the left shows all decades since the City's inception in 1990.

## COMMERCE

The community is residential and commercial, with the populace employed locally and in the neighboring cities such as SeaTac, Kent, Tacoma, Bellevue, and Seattle. Employment in Federal Way is highly concentrated in retail and services sectors which respond primarily to the needs of the local market area population. Major employers are; Federal Way Public Schools, St. Francis Community Hospital, World Vision, Western Washington Corp of Seventh Day Adventists, U.S. Postal Services, Walmart, City of Federal Way and Community Integrated Services. The top fifteen employers report 8,787 employees in 2021.

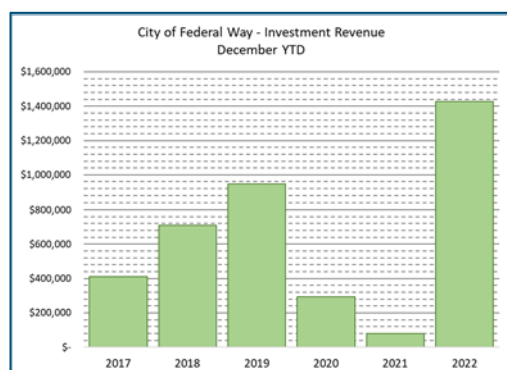
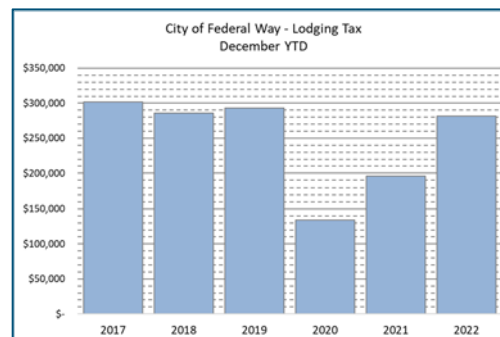
Sales tax collected in 2022 totaled \$19.5 million, up from \$17.5 in 2021, an increase of 9.8%. The retail sector of the local economy is anchored by the following areas; the first is South 348<sup>th</sup> and State Highway 99 anchored by Wal-Mart Super Center, Wholesale Sports, Costco, Lowe's Home Improvement Center, and Home Depot. The second is The Commons; a regional mall anchored by Target, TJ Maxx, Kohls, and Dicks Sporting Goods. According to a listing of businesses registered with the City of Federal Way and sorted by the Standard Industrial Classification, the business economy appears to be configured as follows: retail trade 51%; services 19%; construction 18%; information 4%; wholesale trade 4%, manufacturing 1%, and other 4%.





Real Estate Excise Tax collection, a function of real estate sales transactions in the city, was \$5.1 million in 2022, down from \$5.2 million in 2021. A total of 497 building permits in 2022 compared to 734 in 2021, and 3,102 in other building related permits compared to 2,676 that were issued in 2021. Estimated market value for permits in 2022 was \$286 million and \$136 million in 2021. Significant building permits include: Olympic View K-8 School, Four new pad sites at the Commons Mall, Washington Laser Institute, Woodbridge Buildings A and B, Dick's Drive-In Restaurant, Papé Kenworth NW, Federal Way Mixed Use Retail building, 15 more Sound Transit structural permits, Nine Federal Way Mixed-Use Multi-family buildings, Redondo Heights Transit-Oriented Development (TOD) Mixed-Use building, and Five Redondo Heights TOD Multi-family buildings.

Lodging Tax collection reflects not only the hospitality industry within the City of Federal Way but is also an economic indicator of the regional tourism industry. In addition to the effects of the COVID-19 pandemic, the city experienced the loss of approximately 25% of the inventory of overnight hotel rooms to the conversion to County- and Non-profit-administered homelessness programs, a drop from 1,001 rooms to 765. Despite this loss impacting volume, the lodging tax receipts to the City in 2022 were 92% of 2019 (per-COVID) levels, a remarkable recovery.



Interest Revenue earned on the City's investment of reserves increased significantly in 2022 due to the implementation of a ladder portfolio strategy. By methodically purchasing noncallable Treasuries and Agencies at a pace of \$1 million per month so that \$1 million matures separately every month in the future, interest revenue increased from \$80,000 in 2021 to \$1,428,000 in 2022. Adequate safety is assured by maintaining checking account balances sufficient for immediate cashflow and liquidity is maintained by keeping \$52 million in the state local government investment pool.

## LONG-TERM PLANNING

The City's fiscal policy requires the City to prepare long-range projections for six years beyond the current budget period. The projection extends current operations to the future to see if the services are sustainable and determine the magnitude of future financing gaps, if any. This glimpse into the future allows the City to proactively plan and implement corrective measures over time to avoid sudden drastic changes in service levels or in revenue/tax policies.

In addition, the City's fiscal policy requires the City to balance its ongoing services with ongoing revenues.

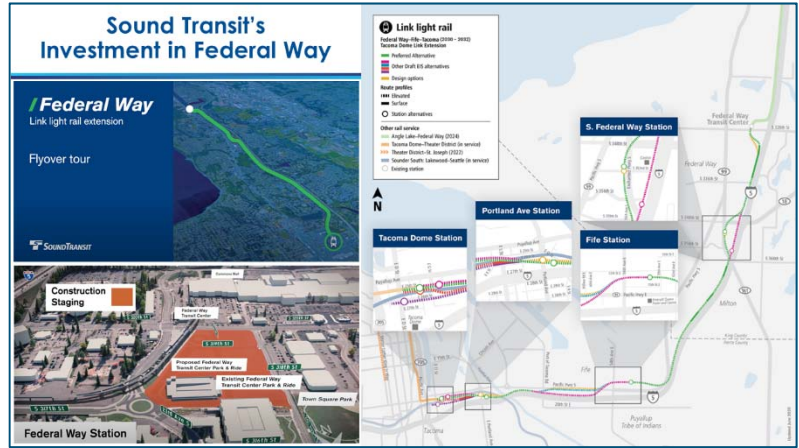
## MAJOR INITIATIVES AND ACCOMPLISHMENTS

During 2022, the City of Federal Way commenced a long-term investment program, investing the city's cash reserves across all funds. Previously, all cash outside the city's checking accounts had been invested in the variable-rate Local Government Investment Pool, managed by the Washington State Treasurer. After assuring sufficient safety in checking accounts and liquidity in the state pool, staff created a ladder portfolio of non-callable treasuries and agencies. By investing at longer maturities, and aided by rising interest rates, the investment program enabled the City to budget 13 new police officer positions without raising taxes. The City's investment policy subsequently received the Washington Public Treasurers' Association's investment policy certification in April 2023.

## OUTLOOK FOR THE FUTURE

As noted above, several indicators from 2022 combined to contribute to a positive outlook for the City of Federal Way.

- Sales Tax revenue receipts have continued in a positive trend, post-COVID, which suggest a prosperous business environment and population contributing to a thriving economy.
- Lodging Tax rose again in 2022 after rising in 2021, after falling in 2020, indicating a recovering local hospitality sector as well as an indicator of regional tourism.
- Judicious use of the ARPA grant allocation of \$19.2 million to Federal Way, received in two tranches in 2021 and 2022, has provided an opportunity for policy decisions to use the funding for the long-term fiscal health of the City. As of December 31, 2022, approximately \$14.8 million remained undisbursed.
- Sound Transit's extension of light rail continues to progress, with completion and service from Seattle and SeaTac International Airport into the Federal Way Town Center Station forecasted for 2025 and connection to Tacoma in 2030.



## INDEPENDENT AUDIT

State law requires an annual audit of all City books of account, financial records, and transactions by the State Auditor, an independently elected state official. In addition to meeting the requirements set forth under state law, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The 2022 audit of the City was completed in conformance with generally accepted auditing standards. The financial statement of all City funds has been included in this audit. The city has been given an unmodified opinion in 2022; which is the 33<sup>rd</sup> consecutive year receiving a clean audit. The State Auditor's report on the basic financial statements is included in the financial section of this report.

## AWARDS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Federal Way for its annual comprehensive financial report (ACFR) for the year ended December 31, 2021. This was the thirty-second consecutive year that the City of Federal Way has received this prestigious award (fiscal years ended 1990 – 2020). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.


The City of Federal Way also received the Government Financial Officers Association Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2021 and 2022. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

## ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. In addition, staff in all City departments should be recognized for responding to multiple detailed informational requests which are part of each audit. The role of the State Auditor's Office should also be acknowledged as a significant contribution to a fine product. Finally, we wish to express our appreciation to the Mayor and City Council for their

ongoing executive and policy support and commitment to the pursuit of excellence in making the City of Federal Way an increasingly well-managed city.

Respectfully submitted,

  
Steve Groom, CGFM  
City of Federal Way Finance Director

  
Chase Donnelly  
City of Federal Way Deputy Finance Director

## 2022 CITY OFFICIALS EXECUTIVE & LEGISLATIVE BODY



JIM FERRELL  
Mayor



LINDA KOCHMAR  
Council President



SUSAN HONDA  
Deputy Mayor



LYDIA ASSEFA-DAWSON  
Councilmember #1



ERICA NORTON  
Councilmember #2



HOANG V. TRAN  
Councilmember #4



JACK WALSH  
Councilmember #5



JACK DOVEY  
Councilmember #6

<u>Position</u>	<u>Incumbent</u>	<u>Term Expires</u>
Mayor	Jim Ferrell	12/31/2025
Position #1	Lydia Assefa-Dawson	12/31/2023
Position #2	Erica Norton	12/31/2025
Position #3	Susan Honda, Deputy Mayor	12/31/2023
Position #4	Hoang V. Tran	12/31/2025
Position #5	Jack Walsh	12/31/2023
Position #6	Jack Dovey	12/31/2025
Position #7	Linda Kochmar, Council President	12/31/2023

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## CITY ADMINISTRATION

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Mayor ..... Jim Ferrell  
 Interim City Administrator ..... Brian Davis  
  
 City Attorney ..... Ryan Call  
 City Clerk ..... Stephanie Courtney  
 Community Development Director ..... Brian Davis  
 Economic Development Director ..... Tanja Carter  
 Finance Director ..... Steve Groom  
 Human Resources Manager ..... Vanessa Audett  
 IT Director ..... Thomas Fichtner  
 Parks Director ..... John Hutton  
 Police Chief ..... Andy Hwang  
 Public Works Director ..... EJ Walsh

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## JUDICIAL BRANCH

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Presiding Judge ..... David Larson  
  
 Judge ..... Brad Bales  
 Court Administrator ..... Tiziana Giazzi

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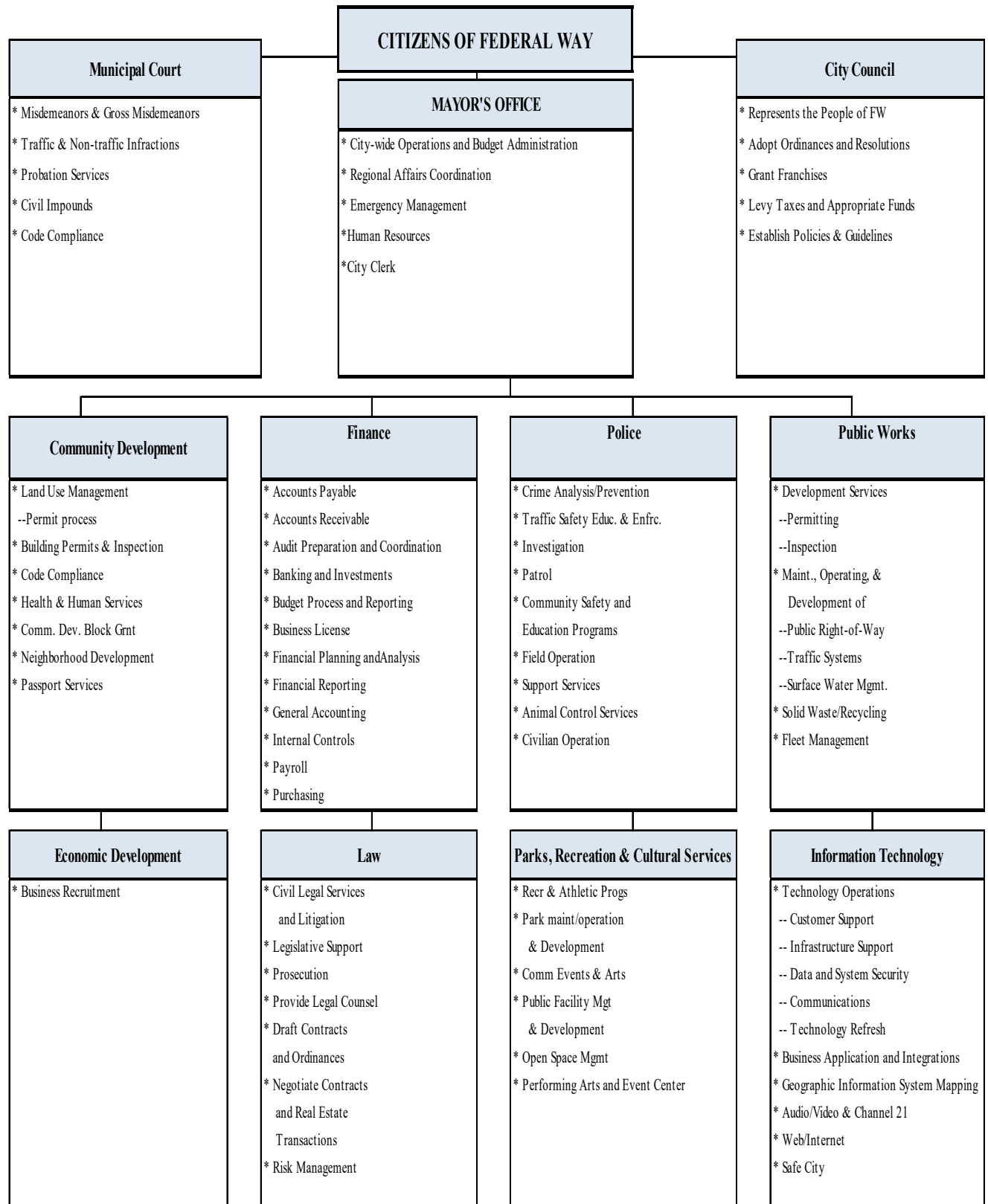
## FINANCE DEPARTMENT STAFF

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Deputy Finance Director ..... Chase Donnelly  
  
 Accounting Specialist ..... Jennifer Pettie  
 Accounting Technician ..... Donielle Nevels  
 Administrative Assistant ..... Sherri Nelson  
 Financial Analyst ..... David Liang  
 Financial Analyst ..... Haileen Valdez Madarang  
 Payroll Analyst ..... Janet Nolte  
 Sr Financial Analyst ..... Linda Walker



## CITY OF FEDERAL WAY ORGANIZATION CHART AND OPERATIONS SUMMARY





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Federal Way  
Washington**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morill*

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Federal Way for its annual comprehensive financial report for the fiscal year ended December 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

Mayor and City Council  
City of Federal Way  
Federal Way, Washington

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

**Opinions**

We have audited the accompanying financial statements of basic, the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way as of and for the year then ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 Federal Way, as of December 31, 2022, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General, Street, Utility Tax, and Performing Arts and Event Center Operations funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

### **Matters of Emphasis**

As discussed in Note 18 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

### **Supplementary Information**

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

## Other Information

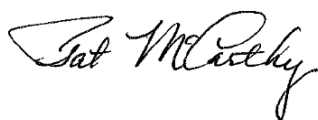
The other information comprises Introductory and Statistical sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the 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 will also issue our report dated August 28, 2023, 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. That report will be issued under separate cover in the City's Single Audit Report. 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 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.

Sincerely,

A handwritten signature in black ink, appearing to read "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

August 28, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS

We offer readers of our annual financial report this narrative overview and analysis of the financial activities of the City of Federal Way for the fiscal year ended December 31, 2022. The summary information that follows immediately below should be read in conjunction with the preceding letter of transmittal and the financial statements and notes sections that follow.

### FINANCIAL HIGHLIGHTS

Details of the financial position of the City of Federal Way are reported comprehensively in this report; the following summarizes the most important financial results, with references to where they are found in context:

- The City's Total Net Position, \$599.0 million at year-end, decreased slightly by \$4.9 million, or 0.8%.
- Total City's Total Revenue increased by \$14.3 million, and expenses increased by \$15.3 million (see page 20).
- Total Cash and Investments increased from \$94.2 million to \$107.9 million. The City increased the long-term investment laddered portfolio of non-callable treasuries and agencies from \$12 million to \$50 million at par value. Investment earnings increased to \$1.4 million, offset by an unrealized loss for market value adjustment which will not be realized unless the City were to divest holdings prior to maturity.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Federal Way's *basic financial statements*. The basic financial statements are comprised of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

In addition to the required components, the City's annual report also includes other supplementary information. The first set of supplementary information is the Combining Statements. These provide Balance Sheets, Statement of Revenues, Expenditures, and Changes in Fund Balances with Budget to Actual Comparisons, Statement of Net Position, and Cash Flows for all proprietary and internal service funds. The other set of supplementary information is the Statistical Section.

The statistical section provides a one to ten-year view of the City's revenues, expenditures, debt obligations and capacity, the City's largest taxpayers, and those entities with the largest employment within the City of Federal Way. This section also provides a long-term perspective on the City's economy.

#### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Federal Way's finances, in a manner similar to a private-sector business.

- A) The *statement of net position* presents information on all of the City of Federal Way's assets plus deferred outflows and liabilities plus deferred inflows, with the difference between the two reported as *net position*. This statement serves a purpose similar to that of a balance sheet in private business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- B) The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Federal Way 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 of Federal Way include law enforcement and public safety, construction and maintenance of streets, building inspection, municipal court services, jail services, community planning and development services, parks and recreation

facilities, and city administration. The business-type activities of the City include 1) surface water management and 2) operation of Dumas Bay Centre, a multi-use conference and performing arts facility.

The City has no separately identified component units included in the government-wide financial statements. The City has reported its investment in one governmental joint venture: Valley Communications Center. A description of the joint venture can be found in Note 14 of the notes to the financial statements.

The government-wide financial statements can be found immediately following this MD&A.

### **Fund Financial Statements**

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

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions as are reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable 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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Federal Way maintains twenty-one individual governmental funds. The City's six major governmental funds, the general fund, street fund, utility tax fund, debt service fund, performing arts and event center operations fund, and transportation fund are presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled non-major governmental funds. Individual fund data for each of the non-major governmental funds can be found in the combining statements section of this report.

The City maintains budgetary control over its operating funds through the adoption of the biennial budget. Budgets are adopted at the fund level in compliance with state law. A budgetary comparison statement is presented for the General, Street, Utility Tax, and Performing Arts & Event Center Funds as a basic financial statement. The basic governmental fund financial statements immediately follow the government-wide statements of this report.

### **Proprietary Funds**

The City of Federal Way maintains two types of proprietary funds. *Enterprise funds* are used to report the business-type activities in the government-wide statements. The City uses enterprise funds to account for its Surface Water Management and the Dumas Bay Centre. *Internal service funds* are an accounting mechanism used to properly accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management, information systems, mail and photocopy services, fleet of vehicles and motorized equipment, facilities management, health insurance, and unemployment services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Surface Water Management fund and for the Dumas Bay Centre. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements section of this report.

The proprietary fund financial statements can be found following the governmental fund statements in this report.

### Fiduciary Funds

The City of Federal Way maintains two *fiduciary funds*. The city uses fiduciary funds to account for its Auto Theft Task Force Private Purpose Trust Fund, as agent for the Puget Sound Auto Theft Task Force, and its Custodial Fund, for court remittances, seizure funds and funds held for judgment. Resources in this fund are held for the benefit of parties outside the government. These funds are not available to support City programs so are not reflected in the government-wide financial statements. The accounting for fiduciary funds is similar to that of proprietary funds. (see pages 43 and 44).

### Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for non-major governmental funds, internal service funds, and capital assets of governmental funds.

On March 9, 2020 the City Mayor issued a Proclamation of Emergency in order to prevent the spread of coronavirus disease (COVID-19), starting the City's local responses to a worldwide event with a great deal of uncertainty. Throughout 2020 and 2021, in navigating the public health crisis, both the State of Washington and King County imposed various levels of restrictions that created varying circumstances beyond the control of the City, and resulted in various economic consequences. The pandemic continued beyond, into 2021 into 2022. The Mayor rescinded the Proclamation of Emergency on June 27, 2022.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

### CONDENSED STATEMENT OF NET POSITION As of December 31, 2022 and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 141,547,563	\$138,634,015	\$ 11,979,622	\$10,146,030	\$ 153,527,185	\$ 148,780,045
Capital assets and CIP,						
net of accum. depreciation	447,603,246	468,188,060	65,687,864	66,407,629	513,291,110	534,595,690
Total assets	589,150,809	606,822,075	77,667,486	76,553,659	666,818,295	683,375,735
Deferred outflows of resources	11,015,412	3,560,949	582,610	187,398	11,598,022	3,748,347
Total deferred outflows of resource	11,015,412	3,560,949	582,610	187,398	11,598,022	3,748,347
Long-term liabilities	39,603,033	35,079,098	444,793	277,837	40,047,826	35,356,935
Other liabilities	25,695,813	19,810,591	786,292	761,108	26,482,105	20,571,698
Total liabilities	65,298,846	54,889,688	1,231,085	1,038,945	66,529,931	55,928,633
Deferred inflows of resources	12,258,409	25,628,684	591,519	1,586,800	12,849,928	27,215,484
Total deferred inflows of resources	12,258,409	25,628,684	591,519	1,586,800	12,849,928	27,215,484
Net position:						
Net investment in:						
capital assets	422,826,241	446,961,581	65,671,446	66,407,627	488,497,687	513,369,208
Restricted	48,808,691	36,062,409	630,738	306,446	49,439,429	36,368,855
Unrestricted	50,974,035	46,840,662	10,125,307	7,401,240	61,099,342	54,241,902
Total net position	\$ 522,608,966	\$ 529,864,652	\$ 76,427,492	\$ 74,115,313	\$ 599,036,458	\$ 603,979,965

### **Analysis of Net Position**

Total net position of the primary government of \$599.0 million at December 31, 2022 decreased by \$4.9 million or 0.8% compared to December 31, 2021. The decrease is due to governmental type activities decrease of \$7.3 million, offset by business-type activities increase of \$2.3 million. More detail on the changes in net position are described below under Governmental and Business-Type activities.

The largest component of the City's net position, 82% or \$488.5 million, is net investment in capital assets. These capital assets such as land, streets, trails, parks, vehicles, and equipment are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending.

Of the total restricted net position of \$49.4 million, approximately 4.1% or \$24.5 million (pages 29 and 56) of the total net position of the city are restricted for use on capital projects or are earmarked for current approved capital projects. Some of the major capital projects the funds are being used for include Adaptive Traffic Control System Project, City Center Access Phase I, and SR509 9<sup>th</sup> SW 312<sup>th</sup> Street to 21<sup>st</sup> Ave SW SRTS project. The City's policy is to fund capital construction projects primarily on a pay-as-you-go basis, pursuing grant funding and cost-sharing with developers.

The remaining balance of restricted net position of \$24.9 million is for: \$0.95 million for police special funds, and court trust, \$0.05 million for Steel Lake and North Lake Management Districts, \$0.05 prepaid items, \$0.97 million for Public Education Grant (PEG) and franchise fees for educational and governmental access services, \$1.86 million for lodging tax, \$1.86 million for paths and trails, \$1.02 million for arterial street overlay, \$0.16 million for affordable and supportive housing, \$0.03 million for Community Development Block Grant, \$0.7 million for opioid settlement, and \$17.3 million for pensions.

The unrestricted business-type activities portion of \$10.1 million is \$8.5 million for surface water management and the remaining \$1.6 million for the Dumas Bay Centre. Maintenance of catch basins, pump stations, storm drain flushing, and other capital construction projects such as Cold Creek culvert rehab are examples of utility activities. The unrestricted net position can only be spent within the fund it is in, and cannot benefit another fund within the city.

Other functions of the City may access the remaining \$51.0 million in governmental activities unrestricted net position to meet ongoing obligation to citizens and creditors. Examples of other City obligations which net position may be used for are public safety, economic development, parks maintenance, ongoing street maintenance, and committed funds for capital projects.

At the end of the fiscal year, the City of Federal Way reported positive balances in all three categories of net position, for the government as a whole, as well as for the separate governmental and business-type activities.

### **Governmental Activities:**

Current and other assets increased by \$2.9 million or 2.1% primarily due to cash and cash equivalents increasing by \$11.1 million due to receiving federal ARPA funding of \$9.6 million, and \$1.9 million increase in sales tax, \$6.2 million addition of notes receivable for Performing Arts & Event Center long term note from public benefit corporation QALICB, \$2.4 million addition of lease receivable due to implementation of GASB 87 for leases, \$2.2 million addition in due from other governments due to increased grants for transportation capital projects and increased state shared revenue, \$0.5 million increase in investment in joint venture for Valleycomm, offset by \$19.9 million reduction in net pension asset.

Capitals assets and CIP, net of accumulated depreciation, decreased by \$20.6 million or 4.4% primarily due to a prior period reduction of \$29.1 million (See Note 15 on page 83), depreciation of \$8.4 million, offset by the net addition of assets in the current year of \$16.9 million (See Note 8 on page 64). The prior period adjustment is primarily comprised of \$27.91 million adjustment for buildings due to write-off of the Federal Way Performance Arts and Event Center from capital assets related to the new GASB 87 accounting for leases implementation. The net addition of assets of \$16.9 million is primarily due to construction in progress increase of \$3.6 million for projects in ongoing construction including City Center Access Phase I, SR509 9<sup>th</sup> SW 312<sup>th</sup> Street to 21<sup>st</sup> Ave SW SRTS, Adaptive Traffic Control Systems, infrastructure addition of \$1.7 million due to completion of SR509 9TH Pl South to 11th Pl S Pedestrian Improvement project, \$1.6 million in machinery and equipment, and \$9.8 million increase in lease buildings due to implementation of GASB 87.

Deferred outflows of resources increased by \$7.45 million for governmental activities due to the GASB 68 changes in actuarial assumptions for state-sponsored pension plans including 2.75% total economic inflation, 3.25% salary inflation, salary increases, 7.0% investment rate of return, and updated modeling changes. (See page 17).

Long-term liabilities increased by \$4.5 million or 12.9% due to GASB 87 implementation lease liability of \$9.6 million, net pension liability increase of \$1.5 million, offset by long term debt decrease of \$6.6 million for General Obligation debt. (See Note 11 on pages 76 thru 79).

Other liabilities increased by \$5.9 million or 29.6% primarily due to \$4.9 million addition to unearned revenue primarily for unspent American Rescue Plan Act funding, and \$0.5 million addition to deposits payable for street fund.

Deferred inflows of resources decreased by \$13.4 million for governmental activities due to lower than expected earnings on pension plan investments for GASB 68 state sponsored pension plans (See page 17).

Net investments in capital assets decreased by \$24.1 million or 5.4% primarily due to decrease of capital assets and CIP, net of accumulated depreciation explained in the above capital assets description (See page 17), and long-term liabilities for capital-related debt described above.

Restricted net position, representing amounts that must be used in accordance with external restrictions, increased by \$12.7 million or 35.3% from the prior year primarily due to a \$12.1 million increase in restricted net position for capital projects, \$2.2 million increase in restricted pension amount, \$0.7 million increase in opioid settlement, offset by decrease of \$3.7 million in debt service restricted net position.

The remaining Unrestricted net position increased by \$4.1 million or 8.8% primarily due to current and other assets increase of \$2.9 million, and other non-capital related changes listed above.

### **Business-Type Activities:**

Current and other assets increased by \$1.8 million or 18.1% primarily due to an increase in cash and cash equivalents and investments of \$2.5 million from surface water management fees (SWM), a \$0.95 million net pension asset decrease, and a \$0.14 million increase in accounts receivable for SWM activities.

Capitals assets and CIP, net of accumulated depreciation decreased by \$0.72 million or 1.1% primarily due to the addition of accumulated depreciation of \$0.78 million in SWM and Dumas Bay Centre assets (See Note 8 on page 64).

Deferred outflows of resources increased by \$0.40 million for business-type activities due to changes in actuarial assumptions for GASB 68 state-sponsored pension plans including 2.75% total economic inflation, 3.25% salary inflation, salary increases, 7.0% investment rate of return, and updated modeling changes. (See page 17).

Long-term liabilities increased by \$0.17 million or 60.1 % due to current year GASB 68 adjustment to pension liability of \$0.18 million, and a small adjustment to compensated absences payable. (See pages 76 thru 79).

Other liabilities increased by \$0.03 million or 3.3% primarily due to an increase in vouchers for SWM operations and Dumas Bay Centre rentals at the facility.

Deferred inflows of resources decreased by \$1.0 million for business-type activities due to lower than expected earnings on pension plan investments for GASB 68 state sponsored pension plans (See page 17).

Net investments in capital assets decreased \$0.74 million or 1.1% primarily due to capital assets and CIP, net of accumulated depreciation explained in the above capital assets description.

Unrestricted net position increased by \$2.72 million or 36.8% primarily due to the increases in current and other assets and decreases in long term liabilities described above.

## CHANGES IN NET POSITION

For the Years Ended December 31, 2022 and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Programs revenues:						
Charges for services	\$ 23,308,631	\$ 19,150,684	\$ 8,142,556	\$ 6,585,691	\$ 31,451,186	\$ 25,736,375
Operating grants & contrib.	10,736,898	6,647,794	177,999	16,851	10,914,897	6,664,645
Capital grants & contrib.	3,622,398	3,912,242	-	308,379	3,622,398	4,220,621
General revenues:						
Property taxes	11,842,050	11,642,922	-	-	11,842,050	11,642,922
Sales tax	19,468,795	17,543,119	-	-	19,468,795	17,543,119
Local criminal justice sales tax	3,679,695	3,303,412	-	-	3,679,695	3,303,412
Utility tax	17,630,739	16,995,029	-	-	17,630,739	16,995,029
Real estate excise tax	5,107,046	5,185,847	-	-	5,107,046	5,185,847
Other taxes	2,581,188	2,204,656	-	-	2,581,188	2,204,656
Other	3,504,224	1,809,665	(129,650)	23,196	3,374,574	1,832,862
Total Revenue	101,481,663	88,395,370	8,190,904	6,934,117	109,672,568	95,329,487
Expenses:						
General government	12,605,241	8,617,290	-	-	12,605,241	8,617,290
Public Safety	37,744,610	28,506,038	-	-	37,744,610	28,506,038
Transportation	15,667,466	17,013,504	-	-	15,667,466	17,013,504
Utilities	673,328	469,053	-	-	673,328	469,053
Natural and economic environment	6,429,127	6,553,374	-	-	6,429,127	6,553,374
Social services	1,841,989	2,097,856	-	-	1,841,989	2,097,856
Culture and recreation	10,455,294	8,426,616	-	-	10,455,294	8,426,616
Interest on long-term debt	1,090,240	920,869	-	-	1,090,240	920,869
Surface Water Management	-	-	5,664,603	4,550,136	5,664,603	4,550,136
Dumas Bay Centre	-	-	829,601	562,093	829,601	562,093
Total Expenses	86,507,295	72,604,600	6,494,204	5,112,229	93,001,499	77,716,829
Change in net position before transfers	14,974,368	15,790,770	1,696,701	1,821,888	16,671,068	17,612,658
Gain on sale of capital assets	-	726,414	-	-	(0)	726,414
Transfers	(503,272)	140,824	503,272	(140,824)	-	-
Change in net position	14,471,096	16,658,008	2,199,973	1,681,064	16,671,069	18,339,072
Net position - beginning	529,864,652	513,815,194	74,115,313	72,048,020	603,979,965	585,863,214
Prior period adjustment Note 15	(21,726,782)	(608,550)	112,207	386,229	(21,614,575)	(222,321)
Adjusted net position - beginning	508,137,870	513,206,644	74,227,520	72,434,249	582,365,390	585,640,893
Net position - ending	\$ 522,608,966	\$ 529,864,652	\$ 76,427,492	\$ 74,115,313	\$ 599,036,458	\$ 603,979,965



### Analysis of the change in net position:

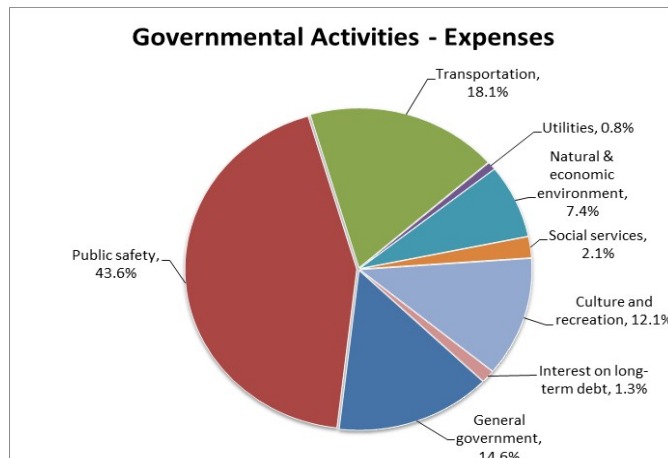
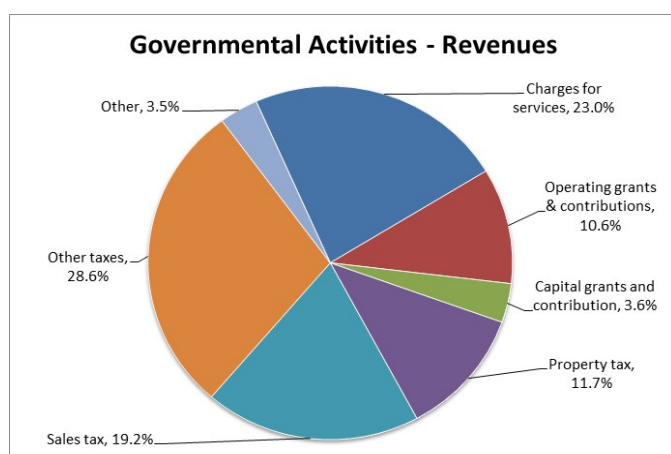
Total government-wide revenues of the primary government increased by \$14.3 million or 15.0% and total expenses increased by \$15.3 million or 19.7% over the prior year. These changes are discussed in more detail below.

### **Governmental Activities:**

Governmental activities contributed \$14.5 million of the total change in net position of \$16.7 million. The total prior year change in net position was \$18.3 million. The decrease from 2021 is due to the revenues, and expense activities described below. There was also a reduction of \$21.73 million primarily for the prior period adjustment for capital assets described in note 15.

Total revenues for governmental activities increased by \$13.1 million or 14.8% due to charges for services increase of \$4.2 million comprised of a \$1.0 million increase in in community development and public works permits and fees, \$2.0 million increase in transportation services revenue, \$0.9 million increase in red light photo revenue, \$0.30 million increase in Performing Arts & Event Center (PAEC) fees; due to \$3.8 million increase in operating and capital grants primarily due to earning ARPA funding in the current year, due to taxes increase of \$3.4 million comprised of \$2.3 million in sales tax and local criminal justice sales tax, \$0.6 million in utility tax, and \$0.4 million in lodging and admissions tax; due to other revenue increase of \$1.7 million comprised of \$0.7 million in opioid settlement revenue, \$0.6 million in interest and lease revenue, as well as seizure revenue moved from fiduciary fund back to the general fund, and \$0.4 million in performing arts and event center revenue.

Total expenses for governmental activities increased by \$13.9 million or 19.1%. The net increase is due to increases in the following expense categories: a \$9.2 million increase in “Public safety” is due to a \$5.0 million increase in pension expense for LEOFF 2 funded pension plan, \$1.8 million increase due to adding 13 new Police Officers and increased special emphasis overtime, \$0.73 million increase in jail service costs due to increased contracted costs for jail services, \$0.66 million increase in fleet gasoline and repair and maintenance services for police vehicles, \$0.15 million increase in fire hydrant services, \$0.13 million increase in insurance costs, and \$0.12 million in Valleycomm joint venture share of expenses. A \$4.0 million increase in “General Government” is due to \$2.2 million increase in salaries and wages for employee retention incentive payment, and adding position in various departments, \$0.4 million increase is due to increase in public defender services, \$0.3 million increase is due to information technology contracts inflation costs, and \$0.8 million increase in pension expense for PERS 2/3 employees. A \$2.0 million increase in “Culture and recreation” is due to increased seasonal maintenance wages of \$0.64 million, services increase of \$0.5 million for repair services for Federal Way Community Center slide and building maintenance services, \$0.12 million increase for fleet gasoline and maintenance services for fleet and equipment, and \$0.5 million increase in pension expense. The increase is offset by a decrease in “Transportation” of \$1.3 million due to decreased asphalt overlay of streets, and street and traffic maintenance.



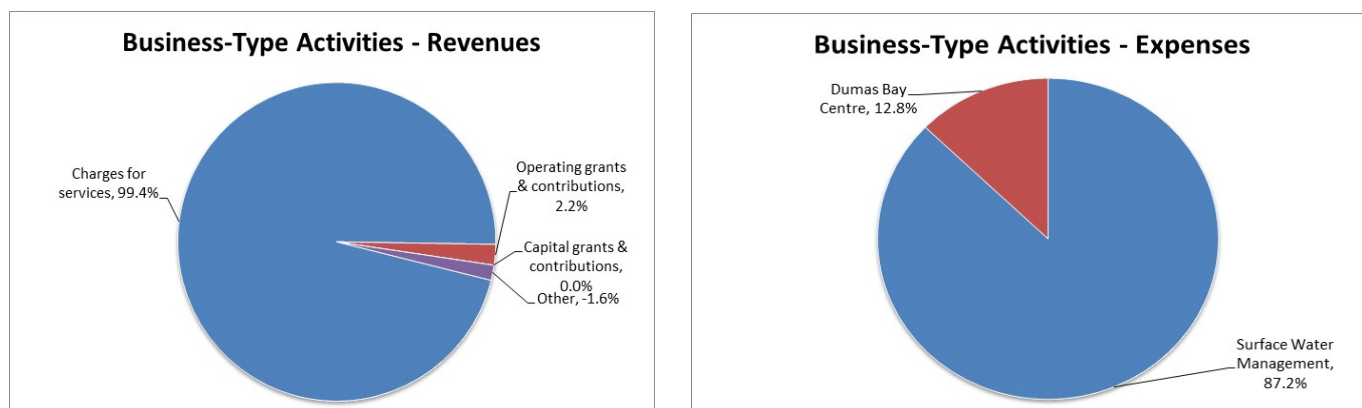
### Business-Type Activities:

Business-type activities of the City's Surface Water Management system and Dumas Bay Centre increased the City's net position by \$2.2 million. An addition of \$0.11 million for prior period adjustment for capital assets described in note 15. The primary change compared to 2021 is due to the following revenues and expenses described below.

Total revenues increased by \$1.3 million or 18.1% above 2021, primarily due to a \$1.3 million increase in surface water management fees resulting from rate structure adjustments.

Total expenses increased by \$1.4 million or 27.0% due to a \$1.1 million increase in Surface Water Management expenses due to filling of positions, and more repair and maintenance activities during the year, and \$0.3 million increase in Dumas Bay Centre expenses due to the facility being reopened to full capacity.

Transfers net change of \$0.6 million is primarily due to a decrease in transfers out to fleet and equipment fund for surface water management vehicle and equipment purchases.



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

#### Governmental funds

The focus of the City of Federal Way'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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2022, the City's governmental funds had a combined ending fund balance of \$68.4 million which is an increase of \$5.1 million from the prior year. Approximately 23% or \$16.0 million of the fund balance amount is unrestricted General Fund balance, which is available for spending at the City Council's discretion. Non-spendable fund balance of \$0.3M is comprised of court trust, prepaid insurance/flex plan, and inventory. Restricted fund balance of \$31.2M is comprised of \$14.1M in transportation capital project funding sources including real estate excise tax (REET), sound transit fees, mitigation impact fees, surface water management fees, and gas tax; \$1.7M in parks capital project funding sources including REET, mitigation impact fees, and paths and trails funding; \$4.4M LIFT sales tax for downtown redevelopment infrastructure and parks projects; \$1.9M in hotel/motel lodging tax for promotion of tourism; \$1.9M in paths & trails parks levy dedicated for paths & trails projects; \$1.0M for special contracts/studies, \$1.0M in REET for arterial street overlay, and \$4.3M in REET for future capital projects and debt service payments. Committed fund balance of \$22.3M includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The committed fund balance is detailed by fund under the fund balance classification in Note 1.

The General Fund is the chief operating fund of the City. Revenues and other sources totaling \$62.7M and expenditures and other uses totaling \$62.0M, resulted in a total fund balance increase by \$0.70 million or 1.0%. Total ending fund balance of \$17.0M, is \$4.43M above the budgeted ending fund balance in the fund of \$12.6M. The \$4.43M is comprised of a decrease of beginning fund balance of \$7.61 million, of \$13.79 million in expenditures/other uses, offset by a \$1.76 million decrease in

revenues/other sources. Fund balance policy resolution 18-732 set the General Fund and strategic reserve policy at \$12M. The detail of these increases/decreases is explained under General Fund budgetary and actual highlights below.

The Street Fund has a total fund balance of \$0.4 million, a \$0.27 million decrease below 2021 primarily due to increased cost of street and traffic maintenance.

The Utility Tax Fund accounts for utility tax receipts collected by State statute for capital, debt, and other maintenance & operations. Total fund balance of \$7.8 million increased by \$1.5 million or 24% from \$6.3 million in 2021 due to an increase in water/sewer and electricity utility tax, and additional 10% utility tax on solid waste services.

The Debt Service Fund has a total fund balance of negative \$1.4 million, a \$5.1 million decrease below the \$3.7 million 2022 fund balance, due to paying off a \$5M bond for a city property. The City has adequate funds to service its annual debt payments.

The Performing Arts and Event Center Operations Fund was established to account for receipts and disbursements of the operation of the Performing Arts & Event Center facility. The ending fund balance was \$7.05 million in 2022, an increase of \$6.56 million over the prior year, primarily due to the addition of long term notes receivable for future QALICB payments. The general fund contributed \$0.9 million in 2022.

The Transportation Fund accounts for the City's expenditures incurred to improve existing traffic signals, install new signalization, improve major roadways and arterials involving the design and construction of new sections of streets, the widening of roadways to provide additional vehicle lanes, and the installation of sidewalks and landscaping. The major source of revenue for this fund is grants from other agencies and contributions from other funds. Total ending fund balance increased by \$6.93 million from \$8.47 million in 2021 to \$15.40 million in 2022 due to increased sound transit fees restricted for the sound transit project, and an increase of traffic impact fees dedicated for transportation projects.

#### **Proprietary funds**

The City of Federal Way's proprietary funds provide the same type of information found in the government-wide, but in more detail. Unrestricted net position of the Surface Water Management Fund at the end of the year amounted to \$8.5 million, and those for Dumas Bay Centre amounted to \$1.6 million. The total changes in net position for both funds were \$2.6 million increase and \$0.10 million increase, respectively.

#### **GENERAL FUND BUDGETARY AND ACTUAL HIGHLIGHTS**

The City of Federal Way budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years. The City Council reviewed and approved mid-biennial budget amendments during 2022. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure and other financing use budgets increased by \$21.3 million and \$2.5 million respectively between the original adopted budget and the adjusted budget for the 2022 fiscal year. The following are the major changes for the 2022 adjusted budget approved by City Council during the year:

- Added \$17.97 million for American Rescue Plan Act (ARPA) funding for supplies, equipment and services.
- Added \$1.70 million for ARPA funding for police patrol cars.
- Added \$0.76 million for ARPA funding for additional heavy trucks.
- Added \$0.75 million for transfer out to Federal Way Community Center Fund to subsidize operations.
- Added \$0.67 million for transfer out to Street Fund to subsidize operations.
- Added \$0.66 million for transfer out for jail operations.
- Added \$0.30 million for transfer out for Dumas Bay Centre operations.
- Added \$0.27 million for Administrative Office of the Court grant for services.
- Added \$0.23 million for salary and cost of living increases.

Budget adjustments to revenues and other sources include: Adjustments to beginning balance of \$11.41 million; increase in ARPA federal funding and other state and federal grants of \$10.20 million; increase in sales tax revenue of \$2.40 million; increase transfer in from other funds of \$0.23 million; increase in state seizure fund of 0.13 million; Increase in passport fees of 0.06 million.

The actual General Fund ending fund balance of \$17.03 million is \$4.43 million above the projected \$12.60 million for 2022 year-end. The \$4.43 million increase in ending fund balance compared to budget is made up of \$7.61 million decrease in beginning fund balance, a positive variance of \$13.79 million in expenditures/other uses, offset by a negative variance of \$1.76 million in revenues/other sources.

The \$1.76 million negative variance in revenues/other sources is primarily attributed to \$9.68 million of ARPA grant revenue not recognized until spent, King County one-time COVID unmet needs and administrative office of the courts grant funding, cash received but yet to be recognized as unearned revenue until it is spent. Other components of this variance are less-than-budgeted service charges and fees of \$0.64 million, transfer in of \$0.38 million, fines and penalties of \$0.25 million, offset by increases of \$2.71 million in taxes, \$1.02 million in licenses and permits, and \$1.19 million in interest and miscellaneous.

The \$13.79 million positive variance in expenditures/other uses is primarily attributable to \$14.84 million in unspent ARPA funding.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of Federal Way's investment in capital assets for its governmental and business-type activities as of December 31, 2022 amounts to \$513.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, park facilities and construction in progress. For more details, please see Note 8, and prior period adjustment Note 15, pages 64 and 83.

### CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	Governmental Activities	Business-Type Activities	Total	
			2022	2021
Land	\$ 283,719,508	\$ 11,340,293	\$ 295,059,801	\$ 295,059,801
Building and improvements	25,666,439	4,388,763	30,055,202	51,299,139
Machinery and equipment	9,577,839	63,529	9,641,368	8,401,180
Infrastructure	110,820,473	49,694,901	160,515,373	164,205,108
Construction in progress	17,818,987	200,379	18,019,366	15,630,462
Total Capital Assets	\$ 447,603,246	\$ 65,687,865	\$ 513,291,110	\$ 534,595,690

Major capital asset events during the current fiscal year included the following amounts: construction in progress in the amount of \$5.3 million was added for expanding and improving the city streets, traffic corridors, surface water management and various park improvements; offset by a \$2.9 million reduction due to the completion and prior period adjustments of various park projects, and street, traffic and surface water management related projects. Other improvements, buildings, infrastructure, and machinery and equipment decrease of \$23.7 million is primarily due to prior period reduction of \$27.9 million for Performing Arts and Event Center due to the building not being owned by the City, but leased from QALICB, current year depreciation of assets, offset by infrastructure addition of \$1.7 million for completed transportation and surface water management projects, and \$3.0M in fleet and equipment purchases. Remaining commitments for capital assets are described in Note 8.

**Long-term debt**

At the end of 2022, the City of Federal Way had total debt principal balance outstanding of \$23.1 million. The future principal and interest payments which are backed by the full faith and credit of the government will be \$29.1 million, and average annual debt service of \$1.7 million (See Note 11 pages 76 thru 79).

**LONG-TERM DEBT (FUTURE PRINCIPAL AND INTEREST PAYMENTS)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
General obligation bonds	\$ 29,102,790	\$ -	\$ 29,102,790
Total	\$ 29,102,790	\$ -	\$ 29,102,790

The City's principal debt decreased by \$6.6 million due to paying off the remaining \$5.0 million 2017 Target Property Bond, and annual debt service payments of \$1.6 million for 2013 Refunded Community Center Bond, 2019 SCORE Bond, 2019 PAEC Bond, and 2019 Section 108 loan.

The most recent change in bond rating was in February 2017, when Moody's Investors Service upgraded from Aa3 to Aa2 rating for the City's 2013 Limited Tax General Obligation Refunding Bonds.

Washington State statutes limit the amount of debt a government entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's taxable assessed valuation for 2022 was \$17.153 billion and the total amount of debt the City may issue is \$1.3 billion. Remaining legal debt capacities as of December 31, 2022 are:

General government (no vote required)	\$ 234,570,243 (1.5% X 17.153B) +\$1.9M - \$24.6M
General government (3/5 majority vote required)	\$ 171,528,456 (1.0% X 17.153B)
Parks and open space (3/5 majority vote required)	\$ 428,821,139 (2.5% X 17.153B)
Utilities (3/5 majority vote required)	\$ 428,821,139 (2.5% X 17.153B)
<b>Total Capacity</b>	<b>\$1,263,740,977 (See page 136)</b>

Additional information on the City of Federal Way's long-term debt can be found in Note 11 on pages 76 thru 79 and in the Statistical Section of this report.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Federal Way's finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, City of Federal Way, 33325 8<sup>th</sup> Avenue South, Federal Way, Washington 98003. Further information is also available on the City's website at [www.cityoffederalway.com](http://www.cityoffederalway.com).



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# **BASIC FINANCIAL STATEMENTS**

## **Government-Wide Financial Statements**

### **Statement of Net Position**

This statement provides information on all city assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

### **Statement of Activities**

This statement is focused on both the gross and net costs of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues.

## STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash & cash equivalents	\$ 38,013,764	\$ 6,174,897	\$ 44,188,661
Investments	42,596,576	4,911,783	47,508,359
Receivables (net)	5,784,625	397,300	6,181,925
Internal balances	150,178	(150,178)	-
Due from other governments	8,779,858	68,557	8,848,415
Prepaid items	42,041	-	42,041
Inventories	8,847	-	8,847
Longterm notes receivable	6,239,600	-	6,239,600
Restricted assets:			
public safety/court/retainage/grants/opioid settlement	16,830,003	-	16,830,003
Investment in joint venture	7,636,612	-	7,636,612
Capital assets not being depreciated:			
Land	283,719,508	11,340,293	295,059,801
Construction in progress	17,818,987	200,379	18,019,366
Capital assets net of accumulated depreciation:			
Buildings/structures	9,523,721	644,765	10,168,485
Lease - Building (net of accumulated Depreciation)	9,315,324	-	9,315,324
Improvements other than buildings	6,827,394	3,743,998	10,571,392
Machinery and equipment	9,577,839	63,529	9,641,368
Infrastructure	110,820,473	49,694,901	160,515,373
Net Pension Asset	15,465,460	577,262	16,042,722
Total Assets	589,150,809	77,667,486	666,818,295
<b>DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS</b>			
	11,015,412	582,610	11,598,022
<b>LIABILITIES</b>			
Accounts payable and accruals	7,944,585	414,983	8,359,568
Unearned revenue	15,459,122	352,197	15,811,319
Retainage payable	153,780	4,612	158,392
Customer deposits	2,138,326	14,500	2,152,826
Noncurrent Liabilities:			
Due within one year	2,054,284	16,478	2,070,762
Due in more than one year	37,548,749	428,315	37,977,065
Net Pension Liability	2,796,835	332,043	3,128,878
Other Long-Term Liabilities	34,751,914	96,272	34,848,187
Total Liabilities	65,298,846	1,231,085	66,529,931
<b>DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS</b>			
	9,946,097	591,519	10,537,616
<b>DEFERRED INFLOW OF RESOURCES RELATED TO LEASES</b>			
	2,312,312	-	2,312,312
<b>NET POSITION</b>			
Net investment in capital assets	422,826,241	65,671,446	488,497,687
Restricted for:			
Opioid settlement	658,212	-	658,212
Capital projects	24,534,730	-	24,534,730
Steel Lake & North Lake Mgmt District	-	46,677	46,677
Pensions	16,667,090	584,061	17,251,151
Other - See page 56 Fund Bal. Classification	6,948,657	-	6,948,657
Unrestricted	50,974,035	10,125,307	61,099,342
Total Net Position	\$ 522,608,966	\$ 76,427,492	\$ 599,036,458

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF ACTIVITIES**  
For the Year ended December 31, 2022

	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<i>Governmental Activities:</i>							
General government	\$ 12,605,241	\$ 3,243,809	\$ 6,225,699	\$ -	\$ (3,135,733)	\$ -	\$ (3,135,733)
Public Safety	37,744,610	5,333,402	917,091	-	(31,494,118)	-	(31,494,118)
Transportation	15,667,466	7,938,145	1,846,797	3,622,398	(2,260,126)	-	(2,260,126)
Utilities	673,328	590,548	224,205	-	141,425	-	141,425
Natural and economic environment	6,429,127	4,555,167	443,816	-	(1,430,144)	-	(1,430,144)
Social services	1,841,989	-	481,904	-	(1,360,084)	-	(1,360,084)
Culture & recreation	10,455,294	1,647,560	597,386	-	(8,210,348)	-	(8,210,348)
Interest on long-term debt	1,090,240	-	-	-	(1,090,240)	-	(1,090,240)
Total governmental activities	86,507,295	23,308,631	10,736,898	3,622,398	(48,839,368)	-	(48,839,368)
<i>Business-type Activities:</i>							
Surface Water Management	5,664,603	7,624,359	177,999	-	-	2,137,755	2,137,755
Dumas Bay Centre	829,601	518,197	-	-	-	(311,404)	(311,404)
Total business-type activities	6,494,204	8,142,556	177,999	-	-	1,826,351	1,826,351
<b>Total</b>	<b>\$ 93,001,499</b>	<b>\$ 31,451,186</b>	<b>\$ 10,914,897</b>	<b>\$ 3,622,398</b>	<b>(48,839,368)</b>	<b>1,826,351</b>	<b>(47,013,018)</b>
General revenues:							
Property tax					11,842,050	-	11,842,050
Sales tax					19,468,795	-	19,468,795
Local criminal justice sales tax					3,679,695	-	3,679,695
Utility tax					17,630,739	-	17,630,739
Real estate excise tax					5,107,046	-	5,107,046
Gambling tax					322,928	-	322,928
Hotel/motel tax					282,862	-	282,862
Admissions Tax					834,953	-	834,953
Leasehold excise tax					2,612	-	2,612
Affordable and supportive housing sales tax					137,474	-	137,474
Local infrastructure financing tool					1,000,358	-	1,000,358
Other revenue					3,186,739	-	3,186,739
Investment earnings					317,486	(129,650)	187,836
Transfers					(503,272)	503,272	-
Total general revenues (loss) and transfers					63,310,464	373,622	63,684,086
Change in net position					14,471,096	2,199,973	16,671,069
Net position at beginning of year					529,864,652	74,115,313	603,979,965
Prior period adjustment (See Note 15)					(21,726,782)	112,207	(21,614,575)
Adjusted beginning net position					508,137,870	74,227,520	582,365,390
Net position at end of year					<u>\$ 522,608,966</u>	<u>\$ 76,427,492</u>	<u>\$ 599,036,458</u>

*The notes to the financial statements are an integral part of this statement.*

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2022

	General	Street	Utility Tax	Debt Service
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,986,876	\$ 955,686	\$ 3,446,975	\$ 1,918,922
Investments	14,435,122	760,770	2,740,551	1,525,690
Prepaid items	14,336	-	-	-
Receivables (net):				
Taxes	304,981	-	1,867,047	-
Accounts and contracts	1,154,409	118,868	-	-
Leases	2,352,243	27,307	-	-
Restricted cash	16,027,654	-	15,324	-
Due from other governments	4,940,163	232,223	6,220	-
Interfund loans receivable	184,788	-	-	-
Inventories	-	-	-	-
Long-term notes receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>41,400,570</b>	<b>2,094,855</b>	<b>8,076,116</b>	<b>3,444,612</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Vouchers payable	1,896,509	234,466	136,040	300
Accounts/payroll payable	3,115,909	127,203	148,180	-
Retainage payable	31,076	3,341	15,324	-
Deposits payable	876,956	1,219,540	-	-
Interfund loans payable	-	-	-	4,861,704
Unearned revenue	15,145,656	73,893	-	-
<b>TOTAL LIABILITIES</b>	<b>21,066,106</b>	<b>1,658,443</b>	<b>299,544</b>	<b>4,862,004</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES</b>	<b>184,881</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE</b>	<b>831,967</b>	<b>29,633</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR LEASES</b>	<b>2,285,732</b>	<b>26,580</b>	<b>-</b>	<b>-</b>
Fund Balance:				
Nonspendable	268,916	-	-	-
Restricted	740,525	-	-	-
Committed	8,350	380,199	7,776,572	-
Unassigned	16,014,094	-	-	(1,417,392)
<b>TOTAL FUND BALANCES</b>	<b>17,031,885</b>	<b>380,199</b>	<b>7,776,572</b>	<b>(1,417,392)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 41,400,570</b>	<b>\$ 2,094,855</b>	<b>\$ 8,076,116</b>	<b>\$ 3,444,612</b>

*The notes to the financial statements are an integral part of this statement.*

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2022

	Performing Arts & Event Center Operations	Transportation	Nonmajor Governmental	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 665,183	\$ 7,592,315	\$ 12,508,786	\$ 29,074,743
Investments	189,916	6,039,325	9,797,558	35,488,932
Prepaid items	22,705	-	-	37,041
Receivables (net):				
Taxes	-	-	173,560	2,345,588
Accounts and contracts	75,147	23,571	130,103	1,502,098
Leases	-	-	-	2,379,550
Restricted Cash	61,987	-	66,826	16,171,791
Due from other governments	50,000	2,630,531	920,723	8,779,860
Interfund loans receivable	-	-	-	184,788
Inventories	8,847	-	-	8,847
Long-term notes receivable	6,239,600	-	-	6,239,600
<b>TOTAL ASSETS</b>	<b>7,313,385</b>	<b>16,285,742</b>	<b>23,597,557</b>	<b>102,212,837</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Vouchers payable	113,316	446,329	771,569	3,598,528
Accounts/payroll payable	-	37,401	227,865	3,656,558
Retainage payable	-	4,020	100,019	153,781
Deposits payable	-	-	41,829	2,138,326
Interfund loans payable	-	-	184,788	5,046,492
Unearned revenue	154,720	-	84,853	15,459,122
<b>TOTAL LIABILITIES</b>	<b>268,036</b>	<b>487,750</b>	<b>1,410,923</b>	<b>30,052,806</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184,881</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE</b>	<b>-</b>	<b>397,861</b>	<b>11,182</b>	<b>1,270,643</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR LEASES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,312,312</b>
Fund Balance:				
Nonspendable	31,552	-	-	300,468
Restricted	-	14,064,885	16,377,510	31,182,920
Committed	7,013,797	1,335,245	5,797,942	22,312,105
Unassigned	-	-	-	14,596,702
<b>TOTAL FUND BALANCES</b>	<b>7,045,349</b>	<b>15,400,131</b>	<b>22,175,452</b>	<b>68,392,195</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,313,385</b>	<b>\$ 16,285,742</b>	<b>\$ 23,597,557</b>	
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 funds. See Note 8, difference is the Internal Service fund amount of \$11.35M on page 38				436,253,456
Investment in joint venture is not a financial resource and, therefore, not reported in the funds. See Note 14 \$7.64M on page 76.				7,636,612
Other long-term and non-current assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds: includes deferred inflows, and net pension asset. See Note 6 \$1.5M & Note 9 \$15.5M (page 27)				16,920,984
Internal service funds are used to charge the costs of insurance, unemployment, information systems, mail and duplication, fleet, and building to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Page 40 Internal Svc Net Position \$31.83M + Adj \$150.2K + \$71.5K LT Comp Abs - \$309.6K Net Pension Asset + \$178.1K Net Pension Liability + \$316.0K Def Infl Rel to Pensions - \$310.9K Def Outfl Rel to Pensions + \$12.4K LT Leases Payable + \$3.8K ST Leases Payable				31,939,437
Long-term liabilities, including bonds payable, pension liability, and inflows/outflows related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. See Note 11 -\$23.07M -\$2.59M - \$1.58M, In Govt Wide - \$2.80M NPL - \$0.20M Leases Payable due within One Year - \$9.37M Leases Payable due in More Than One Year - \$9.95M Def Infl Rel to Pensions + \$11.02M Def Outfl Rel to Pensions				(38,533,718)
Net position of governmental activities				<u>\$ 522,608,966</u>

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For Year Ended December 31, 2022**

	General	Street	Utility Tax	Debt Service
<b>REVENUES</b>				
Taxes	\$ 35,899,658	\$ -	\$ 17,630,739	\$ -
Licenses and permits	4,624,105	330,092	-	-
Intergovernmental	6,610,388	1,220,621	-	-
Charges for goods and services	3,654,039	661,409	-	-
Fines and penalties	572,023	-	488	-
Interest	1,066,701	(22,799)	(69,233)	(46,900)
Miscellaneous	1,068,105	124,195	-	-
<b>TOTAL REVENUES</b>	<b>53,495,019</b>	<b>2,313,519</b>	<b>17,561,993</b>	<b>(46,900)</b>
<b>EXPENDITURES</b>				
Current:				
General government	11,682,413	-	1,250,949	-
Public safety	31,701,611	144,610	2,687,253	-
Transportation	1,372,087	5,115,926	2,098,306	-
Utilities	-	-	-	-
Natural and economic environment	3,904,724	-	113,446	-
Social services	1,138,708	-	-	-
Culture and recreation	5,819,498	-	75,349	-
Debt/Lease service:				
Principal	66,482	-	-	6,620,656
Interest/fiscal charges/admin fees	3,664	-	-	961,285
Capital outlay	1,904,322	22,763	-	-
<b>TOTAL EXPENDITURES</b>	<b>57,593,509</b>	<b>5,283,298</b>	<b>6,225,302</b>	<b>7,581,941</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,098,490)</b>	<b>(2,969,780)</b>	<b>11,336,691</b>	<b>(7,628,840)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease	182,681	-	-	-
Transfers in	9,062,631	2,703,685	-	2,539,426
Transfers out	(4,444,145)	-	(9,837,985)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,801,167</b>	<b>2,703,685</b>	<b>(9,837,985)</b>	<b>2,539,426</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>702,677</b>	<b>(266,095)</b>	<b>1,498,706</b>	<b>(5,089,415)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>15,434,674</b>	<b>566,633</b>	<b>6,277,866</b>	<b>3,672,023</b>
Prior period adjustment	894,533	79,661	-	-
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>16,329,208</b>	<b>646,294</b>	<b>6,277,866</b>	<b>3,672,023</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 17,031,885</b>	<b>\$ 380,199</b>	<b>\$ 7,776,572</b>	<b>\$ (1,417,392)</b>

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For Year Ended December 31, 2022**

	Performing Arts & Event Center Operations	Transportation	Nonmajor Governmental	Total
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 6,850,159	\$ 60,380,556
Licenses and permits	-	-	103,969	5,058,166
Intergovernmental	373,902	3,359,369	1,777,876	13,342,156
Charges for goods and services	517,752	7,013,305	2,084,645	13,931,150
Fines and penalties	-	-	3,842,343	4,414,853
Interest	51,707	(154,353)	(291,029)	534,095
Miscellaneous	1,064,599	505	324,670	2,582,074
<b>TOTAL REVENUES</b>	<b>2,007,961</b>	<b>10,218,825</b>	<b>14,692,633</b>	<b>100,243,050</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	49,593	12,982,954
Public safety	-	-	2,785,045	37,318,519
Transportation	-	958,809	1,747,755	11,292,883
Utilities	-	-	681,468	681,468
Natural and economic environment	2,273,277	-	20,597	6,312,044
Social services	-	-	725,045	1,863,753
Culture and recreation	-	-	3,065,348	8,960,194
Debt/Lease service:				
Principal	115,480	-	-	6,802,619
Interest/fiscal charges/admin fees	242,620	18,508	3,162	1,229,238
Capital outlay	9,557,570	5,213,233	16,646	16,714,534
<b>TOTAL EXPENDITURES</b>	<b>12,188,947</b>	<b>6,190,550</b>	<b>9,094,660</b>	<b>104,158,207</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,180,987)</b>	<b>4,028,274</b>	<b>5,597,973</b>	<b>(3,915,158)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease	9,557,570	-	-	9,740,251
Transfers in	941,464	3,143,014	2,154,696	20,544,916
Transfers out	-	(240,079)	(6,725,440)	(21,247,649)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,499,034</b>	<b>2,902,935</b>	<b>(4,570,744)</b>	<b>9,037,518</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>318,048</b>	<b>6,931,209</b>	<b>1,027,230</b>	<b>5,122,360</b>
<b>FUND BALANCES - BEGINNING</b>	<b>487,701</b>	<b>8,468,921</b>	<b>21,024,717</b>	<b>55,932,535</b>
Prior period adjustment	6,239,600	-	123,505	7,337,300
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>6,727,301</b>	<b>8,468,921</b>	<b>21,148,222</b>	<b>63,269,835</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 7,045,349</b>	<b>\$ 15,400,131</b>	<b>\$ 22,175,452</b>	<b>\$ 68,392,195</b>

*The notes to the financial statements are an integral part of this statement.*



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022

Amounts reported for governmental activities in the statement of activities (page 30) are different because:	<u>2022</u>
Net change in fund balances--total governmental funds (page 34)	\$ 5,122,360
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. (page 57)	8,450,158
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (page 57)	932,183
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the issuance proceeds of new debt as current financial resources and payment as the use of current resources, whereas these amounts reduce the net position. (page 57)	6,760,117
Internal service funds are used by management to charge costs of risk management, information systems, mail & duplication, fleet, and building systems to the funds. (page 41) \$1.33M + 0.05M	1,385,812
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 the funds. Includes adjustment for GASB 68 pension & 87 lease reporting. (page 57) \$1.56M - \$0.18M - \$9.56M	<u>(8,179,534)</u>
Change in net position of governmental activities (page 30)	<u><u>\$ 14,471,096</u></u>

*The notes to the financial statements are an integral part of this statement.*

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 30,786,909	\$ 33,186,909	\$ 35,899,658	\$ 2,712,749
Licenses and permits	3,600,552	3,600,552	4,624,105	1,023,553
Intergovernmental	2,004,000	12,199,219	6,610,388	(5,588,831)
Charges for goods and services	4,238,338	4,298,083	3,654,039	(644,044)
Fines and penalties	824,986	824,986	572,023	(252,963)
Interest	275,616	275,616	1,066,701	791,086
Miscellaneous	543,998	671,998	1,068,105	396,107
<b>TOTAL REVENUES</b>	<b>42,274,399</b>	<b>55,057,363</b>	<b>53,495,019</b>	<b>(1,562,343)</b>
<b>EXPENDITURES</b>				
Current:				
General government	8,349,347	25,656,218	11,682,413	13,973,805
Public safety	30,499,606	32,038,728	31,701,611	337,117
Transportation	1,105,746	1,122,746	1,372,087	(249,341)
Utilities	62,300	62,300	-	62,300
Natural and economic environment	3,505,667	4,026,800	3,904,724	122,076
Social services	1,059,790	1,236,316	1,138,708	97,607
Culture and recreation	4,708,871	5,345,308	5,819,498	(474,190)
Debt service/Lease:				
Principal	-	-	66,482	(66,482)
Interest/fiscal charges/admin fees	-	-	3,664	(3,664)
Capital outlay	-	1,149,406	1,904,322	(754,916)
<b>TOTAL EXPENDITURES</b>	<b>49,291,326</b>	<b>70,637,821</b>	<b>57,593,509</b>	<b>13,044,312</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,016,928)</b>	<b>(15,580,459)</b>	<b>(4,098,490)</b>	<b>11,481,969</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease	-	-	182,681	182,681
Transfers in	9,209,310	9,438,050	9,062,631	(375,419)
Transfers out	(2,717,826)	(5,191,096)	(4,444,145)	746,950
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,491,485</b>	<b>4,246,955</b>	<b>4,801,167</b>	<b>554,212</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(525,443)</b>	<b>(11,333,504)</b>	<b>702,677</b>	<b>12,036,181</b>
<b>FUND BALANCES - BEGINNING</b>	<b>12,525,443</b>	<b>23,936,378</b>	<b>15,434,674</b>	<b>(8,501,704)</b>
Prior period adjustment	-	-	894,533	894,533
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>12,525,443</b>	<b>23,936,378</b>	<b>16,329,208</b>	<b>(7,607,171)</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 12,000,001</b>	<b>\$ 12,602,875</b>	<b>\$ 17,031,885</b>	<b>\$ 4,429,010</b>

*The notes to the financial statements are an integral part of this statement.*

**STREET FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 200,000	\$ 200,000	\$ 330,092	\$ 130,092
Intergovernmental	1,300,000	1,300,000	1,220,621	(79,379)
Charges for goods and services	736,572	736,572	661,409	(75,162)
Interest	5,516	5,516	(22,799)	(28,316)
Miscellaneous	211,500	211,500	124,195	(87,305)
<b>TOTAL REVENUES</b>	<b>2,453,588</b>	<b>2,453,588</b>	<b>2,313,519</b>	<b>(140,070)</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	208,679	208,679	144,610	64,070
Transportation	4,567,989	5,118,276	5,115,926	2,351
Capital outlay	-	45,518	22,763	22,755
<b>TOTAL EXPENDITURES</b>	<b>4,776,669</b>	<b>5,372,474</b>	<b>5,283,298</b>	<b>89,175</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,323,080)</b>	<b>(2,918,885)</b>	<b>(2,969,780)</b>	<b>(50,894)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,095,849	2,852,681	2,703,685	(148,996)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,095,849</b>	<b>2,852,681</b>	<b>2,703,685</b>	<b>(148,996)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(227,231)</b>	<b>(66,204)</b>	<b>(266,095)</b>	<b>(199,890)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>727,231</b>	<b>566,204</b>	<b>566,633</b>	<b>429</b>
Prior Period Adjustment	-	-	79,661	79,661
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>727,231</b>	<b>566,204</b>	<b>646,294</b>	<b>80,090</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 380,199</b>	<b>\$ (119,800)</b>

*The notes to the financial statements are an integral part of this statement.*

**UTILITY TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Taxes	\$ 15,177,606	\$ 15,677,606	\$ 17,630,739	\$ 1,953,133
Fines and penalties	-	-	488	488
Interest	20,000	20,000	(69,233)	(89,233)
<b>TOTAL REVENUES</b>	<b>15,197,606</b>	<b>15,697,606</b>	<b>17,561,993</b>	<b>1,864,387</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,124,231	1,124,231	1,250,949	(126,717)
Public safety	2,832,128	2,832,128	2,687,253	144,875
Transportation	-	-	2,098,306	(2,098,306)
Natural and economic environment	109,114	109,114	113,446	(4,332)
Culture and recreation	104,802	104,802	75,349	29,454
<b>TOTAL EXPENDITURES</b>	<b>4,170,276</b>	<b>7,589,138</b>	<b>6,225,302</b>	<b>1,363,835</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>11,027,330</b>	<b>8,108,468</b>	<b>11,336,691</b>	<b>3,228,223</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(12,034,394)	(10,811,666)	(9,837,985)	973,681
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,957,430)</b>	<b>(9,734,702)</b>	<b>(9,837,985)</b>	<b>(103,283)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>69,900</b>	<b>(1,626,234)</b>	<b>1,498,706</b>	<b>3,124,940</b>
<b>FUND BALANCES - BEGINNING</b>	<b>2,552,593</b>	<b>6,275,546</b>	<b>6,277,866</b>	<b>2,320</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 2,622,493</b>	<b>\$ 4,649,312</b>	<b>\$ 7,776,572</b>	<b>\$ 3,127,260</b>

*The notes to the financial statements are an integral part of this statement.*

**PERFORMING ARTS & EVENT CENTER OPERATIONS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 331,884	\$ 373,902	\$ 42,018
Charges for goods and services	344,470	344,470	517,752	173,282
Interest	45,605	45,606	51,707	6,102
Miscellaneous	889,705	889,705	1,064,599	174,894
<b>TOTAL REVENUES</b>	<b>1,279,780</b>	<b>1,611,665</b>	<b>2,007,961</b>	<b>396,295</b>
<b>EXPENDITURES</b>				
Current:				
Natural and economic environment	2,299,754	2,631,641	2,273,277	358,364
Debt service/Lease:				
Principal	-	-	115,480	(115,480)
Interest/fiscal charges/admin fees	-	-	242,620	(242,620)
Capital outlay	-	-	9,557,570	(9,557,570)
<b>TOTAL EXPENDITURES</b>	<b>2,299,754</b>	<b>2,631,641</b>	<b>12,188,947</b>	<b>(9,557,306)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,019,974)</b>	<b>(1,019,976)</b>	<b>(10,180,987)</b>	<b>(9,161,011)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease	-	-	9,557,570	-
Transfers in	1,019,977	1,019,977	941,464	(78,512)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,019,977</b>	<b>1,019,977</b>	<b>10,499,034</b>	<b>(78,512)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3</b>	<b>1</b>	<b>318,048</b>	<b>(9,239,523)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>-</b>	<b>873,590</b>	<b>487,701</b>	<b>(385,889)</b>
Prior period adjustment	-	-	6,239,600	6,239,600
<b>FUND BALANCES - ENDING</b>	<b>\$ 3</b>	<b>\$ 873,591</b>	<b>\$ 7,045,349</b>	<b>\$ 6,171,758</b>

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 5,129,016	\$ 1,045,881	\$ 6,174,897	\$ 8,939,021
Investments	4,079,711	832,072	4,911,783	\$ 7,107,644
Prepaid items	-	-	-	5,000
Receivables (net):				
Accounts and contracts	327,130	70,169	397,300	215,602
Due from other governments	68,557	-	68,557	-
Interfund loans receivable	-	-	-	4,861,704
<b>TOTAL CURRENT ASSETS</b>	<b>9,604,414</b>	<b>1,948,123</b>	<b>11,552,537</b>	<b>21,128,971</b>
Property, plant and equipment				
Land	9,230,653	2,109,640	11,340,294	-
Building/structures	832,086	3,682,227	4,514,313	16,421,965
Improvements other than buildings	3,915,030	314,901	4,229,931	-
Machinery/furniture/equipment	68,786	145,848	214,634	24,461,405
Infrastructure	68,631,598	-	68,631,598	-
Construction in progress	200,379	-	200,379	-
Less accumulated depreciation	(19,681,571)	(3,761,711)	(23,443,282)	(29,533,581)
Net pension asset	506,492	70,770	577,262	309,643
<b>TOTAL NONCURRENT ASSETS</b>	<b>63,703,453</b>	<b>2,561,676</b>	<b>66,265,129</b>	<b>11,659,433</b>
<b>TOTAL ASSETS</b>	<b>73,307,868</b>	<b>4,509,798</b>	<b>77,817,666</b>	<b>32,788,404</b>
<b>DEFERRED OUTFLOWS RELATED TO PENSIONS</b>	<b>511,579</b>	<b>71,031</b>	<b>582,610</b>	<b>310,893</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Current Liabilities:				
Vouchers/payroll payable	334,834	80,149	414,983	689,499
Unearned revenue	196,375	155,822	352,197	-
Retainage payable	-	4,612	4,612	-
Deposits payable	-	14,500	14,500	-
Compensated absences payable	15,209	1,269	16,478	-
Leases payable	-	-	-	3,785
<b>TOTAL CURRENT LIABILITIES</b>	<b>546,418</b>	<b>256,352</b>	<b>802,770</b>	<b>693,284</b>
Long-term liabilities:				
Leases payable	-	-	-	12,340
Compensated absences payable	88,860	7,412	96,272	71,513
Net Pension Liability	291,336	40,707	332,043	178,109
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>380,196</b>	<b>48,119</b>	<b>428,315</b>	<b>261,962</b>
<b>TOTAL LIABILITIES</b>	<b>926,614</b>	<b>304,471</b>	<b>1,231,085</b>	<b>955,246</b>
<b>DEFERRED INFLOWS RELATED TO PENSIONS</b>	<b>518,477</b>	<b>73,042</b>	<b>591,519</b>	<b>316,026</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR LEASE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net investment in capital assets	63,180,540	2,490,906	65,671,446	11,349,789
Restricted for:				
Pensions	513,377	70,684	584,061	312,935
Steel Lake & North Lake Mgmt District	46,677	-	46,677	-
Unrestricted	8,633,761	1,641,726	10,275,488	20,165,300
<b>TOTAL NET POSITION</b>	<b>\$ 72,374,356</b>	<b>\$ 4,203,316</b>	<b>76,577,672</b>	<b>\$ 31,828,024</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(150,178)	
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 76,427,494</b>	

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**  
For Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
<b>OPERATING REVENUES:</b>				
Charges for goods and services	\$ 7,538,310	\$ 518,197	\$ 8,056,507	\$ 13,764,041
Miscellaneous	-	-	-	296,827
<b>TOTAL OPERATING REVENUES</b>	<b>7,538,310</b>	<b>518,197</b>	<b>8,056,507</b>	<b>14,060,869</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	2,218,833	391,263	2,610,096	1,371,976
Materials and supplies	169,293	92,588	261,881	1,415,949
Services and charges	2,475,221	330,495	2,805,716	9,307,440
Depreciation	769,440	14,056	783,496	2,388,748
<b>TOTAL OPERATING EXPENSES</b>	<b>5,632,787</b>	<b>828,403</b>	<b>6,461,189</b>	<b>14,484,112</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,905,523</b>	<b>(310,205)</b>	<b>1,595,318</b>	<b>(423,244)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Other non-operating revenue	264,048	-	264,048	-
Gain (Loss) from disposal of capital assets	-	-	-	42,378
Interest income	(86,870)	(24,416)	(111,286)	(234,972)
Interest expense	-	-	-	(462)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>177,178</b>	<b>(24,416)</b>	<b>152,762</b>	<b>(193,056)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>2,082,702</b>	<b>(334,622)</b>	<b>1,748,080</b>	<b>(616,300)</b>
Capital contributions	-	-	-	1,751,275
Transfers in	119,362	464,959	584,321	199,461
Transfers out	(81,049)	-	(81,049)	-
<b>CHANGE IN NET POSITION</b>	<b>2,121,015</b>	<b>130,337</b>	<b>2,251,352</b>	<b>1,334,436</b>
<b>NET POSITION - BEGINNING</b>	<b>70,212,221</b>	<b>4,001,892</b>	<b>74,214,113</b>	<b>30,493,588</b>
Prior period adjustment	41,120	71,087	112,207	-
<b>ADJUSTED NET POSITION - BEGINNING</b>	<b>70,253,341</b>	<b>4,072,979</b>	<b>74,326,320</b>	<b>30,493,588</b>
<b>NET POSITION - ENDING</b>	<b>\$ 72,374,356</b>	<b>\$ 4,203,316</b>	<b>\$ 76,577,672</b>	<b>\$ 31,828,024</b>
<b>CHANGE IN NET POSITION</b>			<b>2,251,352</b>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(51,376)	
<b>CHANGES IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 2,199,976</b>	

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users - outside	\$ 7,429,927	\$ 485,911	\$ 7,915,838	\$ -
Cash received from users - interfund	-	-	-	8,700,231
Cash payments to claimants	-	-	-	(293,783)
Cash payments to suppliers for goods/services	(1,274,398)	(358,091)	(1,632,489)	(9,615,684)
Cash payments to employees	(2,443,667)	(436,380)	(2,880,047)	(1,499,487)
Cash payments to other funds for goods and services	(973,350)	(36,437)	(1,009,787)	-
Cash payments to other governments for goods and services	(352,750)	-	(352,750)	(1,304,402)
Other operating receipts	-	-	-	296,826
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,385,762</u>	<u>(344,998)</u>	<u>2,040,764</u>	<u>(3,716,299)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from state and local grants/Other non-operating revenue	214,123	-	214,123	-
Transfers in	119,362	464,959	584,321	199,461
Transfers out	(81,049)	-	(81,049)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>252,436</u>	<u>464,959</u>	<u>717,395</u>	<u>199,461</u>
<b>CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:</b>				
Principal paid on debt service	-	-	-	(3,690)
Interest paid on debt service	-	-	-	(462)
Acquisition of capital asset/construction work in progress	(22,612)	-	(22,612)	(1,230,793)
Advances (to)/from other funds	-	-	-	3,219
Proceeds from the sale of capital assets	-	-	-	85,676
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	<u>(22,612)</u>	<u>-</u>	<u>(22,612)</u>	<u>(1,146,049)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Receipts of interest	(86,870)	(24,416)	(111,286)	(234,972)
Payments for investments	(3,210,936)	(600,279)	(3,811,215)	(4,383,135)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(3,297,806)</u>	<u>(624,695)</u>	<u>(3,922,501)</u>	<u>(4,618,107)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(682,221)</u>	<u>(504,734)</u>	<u>(1,186,954)</u>	<u>(9,280,995)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>5,811,237</u>	<u>1,550,615</u>	<u>7,361,852</u>	<u>18,220,016</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>5,129,016</u></u>	<u><u>1,045,881</u></u>	<u><u>6,174,898</u></u>	<u><u>8,939,020</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income/(loss)	1,905,523	(310,205)	1,595,318	(423,245)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	769,440	14,056	783,496	2,388,747
(Increases)/decrease in accounts receivable	(140,950)	28,501	(112,449)	(5,063,811)
(Increases)/decrease in deferred outflows related to pensions	(347,962)	(47,250)	(395,212)	(211,205)
(Increases)/decrease in net pension asset	825,998	127,589	953,587	518,490
Increases/(decrease) in vouchers/accounts payable	44,016	24,605	68,622	(490,479)
Increases/(decrease) in deposits payable	-	3,950	3,950	-
Increases/(decrease) in deferred revenue	32,567	(60,788)	(28,221)	-
Increases/(decrease) in accrued payroll/compensated absences payable	(3,017)	(13,994)	(17,012)	8,239
Increases/(decrease) in net pension liability	162,447	21,520	183,967	98,004
Increases/(decrease) in deferred inflows related to pensions	(862,300)	(132,982)	(995,282)	(541,039)
TOTAL ADJUSTMENTS	<u>480,238</u>	<u>(34,793)</u>	<u>445,445</u>	<u>(3,293,053)</u>
<b>NET CASH PROVIDED/USED BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,385,762</u></u>	<u><u>\$ (344,998)</u></u>	<u><u>\$ 2,040,764</u></u>	<u><u>\$ (3,716,299)</u></u>
<b>Non-cash investing, capital, and financing activities:</b>				
(Increase) Decrease in Fair Value of Investments	3,210,936	600,279	3,811,215	4,383,135
Other contributions of capital assets	-	-	-	1,751,275

*The notes to the financial statements are an integral part of this statement.*



**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
December 31, 2022

	Auto Theft Task Force	
	Custodial Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 210,991	\$ 267,402
Due from other governments	231,299	-
<b>TOTAL ASSETS</b>	<b>442,290</b>	<b>267,402</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Held for Judgement	-	251,081
Due to other governments	442,290	16,321
<b>TOTAL LIABILITIES</b>	<b>442,290</b>	<b>267,402</b>
<b>NET POSITION</b>		
Restricted for Specific Program Use	-	-
<b>TOTAL NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>

*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF CHANGES  
IN FIDUCIARY NET POSITION**  
For Year Ended December 31, 2022

	Auto Theft Task Force Custodial Fund	Custodial Fund
<b>ADDITIONS:</b>		
Intergovernmental	\$ 855,651	\$ -
Court remittances	-	492,389
Social services		134,157
Seizure funds	-	15,589
<b>TOTAL ADDITIONS</b>	<b>855,651</b>	<b>642,135</b>
<b>DEDUCTIONS:</b>		
Current:		
Public safety	855,651	15,589
Court remittances	-	492,389
Social services		134,157
<b>TOTAL DEDUCTIONS</b>	<b>855,651</b>	<b>642,135</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>-</b>
RESTRICTED NET POSITION - BEGINNING	-	837,573
Adjusted from prior period		(837,573)
ADJUSTED RESTRICTED NET POSITION - BEGINNING	-	0
RESTRICTED NET POSITION - ENDING	<b>\$ -</b>	<b>\$ 0</b>

*The notes to the financial statements are an integral part of this statement.*

# NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Federal Way have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**REPORTING ENTITY**

The City of Federal Way was incorporated on February 28, 1990. Federal Way is a non-charter code city, operating under Section 35A.03 of the Revised Code of Washington. It has a Mayor/Council form of government. The Council is composed of seven councilmembers elected to four-year terms on a non-partisan ballot and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the City Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City. The City of Federal Way provides a full range of municipal services, including policing, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for Storm Water Management and Dumas Bay Centre.

The City's Annual Comprehensive Financial Report (ACFR) includes funds, agencies and boards controlled by or dependent on the City. In conformance with Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", the primary basis of determining whether outside agencies and organizations should be considered component units of the City is Financial Accountability. Financial Accountability is dependent on the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. Applying these criteria, as outlined in GASB Statement 14, the City has no relationships that qualify as component units.

**Financial Accountability**

Financial accountability is defined as an appointment of a voting majority of an agency's or organization's board, and either the City's ability to impose its will on the agency or organization or the possibility that the agency or organization will provide a financial benefit to or impose a financial burden on the City.

**Joint Ventures**

A joint venture is a legal entity or organization which results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility. The City participates in one joint venture: Valley Communications Center. See Note 14, Joint Venture, which more fully describes these organizations.

**BASIS OF PRESENTATION - GOVERNMENT-WIDE and FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to specific functions or segments. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements, or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exception to this general rule is, interfund services provided and used are not eliminated in the process of consolidation.

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

The City reports the following major governmental funds:

General Fund – This is the City’s general operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

Street Fund – This fund accounts for the receipt and disbursement of State-levied motor vehicle fuel taxes which must be accounted for in a separate fund and expended for street-oriented engineering, maintenance and operations.

Utility Tax Fund – This fund was established to account for all utility tax receipts. These receipts will subsequently be distributed to various funds to provide for debt service, overlay of streets, capital projects, maintenance and operations expenditures, etc. as determined by the City Council.

Debt Service Fund – This fund accounts for the accumulation of resources for the payment of general obligation and assessment bond principal, interest and related costs.

Performing Arts & Event Center Operations Fund – This fund was established to account for receipts and disbursements related to the operation of the Performing Arts & Event Center facility.

Transportation CIP Fund – This fund accounts for receipts and disbursements related to acquisition, design, construction and any other related street project expenditures.

The City reports the following fund groups as non-major funds:

Special Revenue Funds – These funds are to be used to account for the proceeds of revenues and sources (other than special assessments, expendable trust or major capital projects) that are committed or legally restricted to expenditures for specified purposes.

Capital Project Funds – These funds account for the acquisition or construction of major capital facilities with the exception of those facilities financed by the proprietary fund. The major sources of revenues for these funds are grants from other agencies, local taxes, contributions from other funds, utility tax, and real estate excise tax.

The City reports the following major enterprise funds:

Surface Water Management Fund – This fund was established to administer and account for all receipts and expenditures related to the City’s surface and storm water management system.

Dumas Bay Centre Fund – This fund was established to account for revenues and expenses related to the acquisition, capital improvements maintenance and operations of the City-owned Dumas Bay Centre and Knutzen Family Theatre. The Dumas Bay Centre is primarily used for meetings, events, lodging, and catering services.

Additionally, the City reports following internal service funds:

Risk Management Fund – This fund accounts for the City’s risk financing activities established to minimize adverse effects of losses associated with property and casualty, and worker’s compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is also currently recovering costs and building reserves for general liability including property, casualty, errors and omissions and fidelity coverage.

Information Systems Fund – This fund was established to account for all costs associated with data processing, telecommunications and the Geographical Information System (GIS). This fund owns and depreciates all fund assets related to these functions, and charges equipment/software users for both maintenance and operating costs and equipment replacement charges based on depreciation schedules.

Mail & Duplication Fund – This fund accounts for duplication, graphics and other general support services provided to departments and funds throughout the City.

Fleet and Equipment Fund – This fund accounts for the cost of maintaining City vehicles and other motorized equipment. Rates charged to user departments are based on the full cost of maintaining equipment items, including the recovery of related depreciation expense.

Buildings and Furnishings Fund – This fund accounts for all costs associated with the operation and maintenance of specified City buildings. City building facilities and furnishings are owned by this Fund. Both maintenance/operating costs and depreciation recovery are charged to City departments and funds.

Health Insurance Fund – The City is currently self-insuring for medical insurance. The premiums paid by the City and employees are deposited into this fund. Medical service for medical coverage and pharmaceutical reimbursement are paid out of this fund. Also, the fund has established reserves for the payment of estimated future claims.

Unemployment Insurance Fund - The City is currently self-insuring State Unemployment Compensation. Related premiums received by the fund are used to reimburse the unemployment benefits paid to eligible individuals and to establish reserves for the payment of estimated future unemployment claims liability.

Internal Service Funds account for goods and services provided to other departments or agencies of City of Federal Way, or to other governments, on a cost-reimbursement basis.

The City reports the following fiduciary fund:

Auto Theft Task Force Custodial Fund – This fund is a custodial fund that acts as an agent on behalf of other governments. The fund accounts for contributions held in a fiduciary capacity for the Puget Sound Auto Theft Task-Force.

Custodial Fund – This fund was added in accordance with the implementation of GASB Statement No. 84. This fund accounts for items held for judgement, social services, court remittances, and due to other governments originally reported in the General Fund.

## **MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

### **Government-Wide and Governmental Funds**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred. 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Federal Way considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property tax as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of property tax receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Major revenues recorded on the modified accrual basis are:

**Property Taxes** - King County acts as the City's collection agent for these taxes. Upon receipt, the County electronically transmits to the City the taxes which it has collected on the City's behalf in the prior day. On this basis, property taxes received in January and February are considered both measurable and available and are therefore recognized as revenue in the current year.

**Other Locally Levied Taxes** - King County also acts as the City's collection agent for the 0.25% and optional 0.25% real estate excise taxes. Although a time lag occurs in payment of these taxes to the City, since the taxes are actually collected by King County in December and receipted to the City within 10 days after the end of the year, they are considered to be both measurable and available, and are, therefore, accrued as revenue at year end. The State of Washington acts as the City's collection agency for the locally levied sales tax. The sales tax is distributed monthly and remitted to the City in the following month.

**Grant Revenues** - Under Section G60.109 of the Codification of Governmental Accounting and Financial Reporting Standards, revenues for cost reimbursement grants are determined to be earned and, therefore, available if collected within 60 days.

**Shared Revenues** - Revenues that have been collected by the State, but not remitted by an intermediary collection agency to the City, are considered measurable and available.

**Other Revenue Sources** - Other items recognized as revenue in the current year on the modified accrual basis include investment interest earned but not received at year end; interfund, and intergovernmental service billings related to services provided in the current year which are outstanding at year end; and any other material revenue amounts determined to be both measurable and available under current modified accrual accounting practices. Revenues not considered to meet the criteria for recognition on the modified accrual basis include licenses and permits, fines and forfeitures, and other miscellaneous revenues which are generally not measurable until received.

### **Proprietary Funds**

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City are primarily user charges, and the cost of providing goods or services to the general public on a continuing basis. Operating expenses for enterprise and internal service funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **BUDGETARY INFORMATION**

### **Scope of Budget**

Biennial appropriated budgets are adopted for the general, special revenue, and debt service funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgets for debts 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.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriation amount. Any unexpended appropriation balances for annually budgeted funds lapse at the end of the year. Unspent project appropriations are carried over from year to year.

Per City of Federal Way revised code the City establishes a two-year biennium budget. In practice, the City adopts project length budgets for capital project funds on a biennial budget basis, and the General Fund, Debt Service and Special Revenue funds below have legally required supplementary budgetary reporting.

The individual funds within each fund type which are included in the City's biennial operating budget are:

<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Capital Project Funds</b>
	- <i>Street Fund</i>	- <i>Debt Fund</i>	- <i>Downtown Redevelopment</i>
	- <i>Arterial Street</i>		- <i>City Facilities</i>
	- <i>Utility Tax (including Prop 1 &amp; Solid Waste – 10%)</i>		- <i>Parks</i>
	- <i>Solid Waste &amp; Recycling</i>		- <i>Transportation</i>
	- <i>Special Contracts / Studies</i>		- <i>Capital Project Reserve</i>
	- <i>Hotel/Motel Lodging Tax</i>		- <i>Surface Water Management</i>
	- <i>Federal Way Community Center</i>		- <i>Real Estate Excise Tax</i>
	- <i>Traffic Safety</i>		
	- <i>Community Development Block Grant</i>		
	- <i>Paths &amp; Trails</i>		
	- <i>Performing Arts &amp; Event Center</i>		
	- <i>Technology</i>		
	- <i>Affordable &amp; Supportive Housing Sales &amp; Use Tax</i>		

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditure or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

### **Procedures for Adopting the Biennial Budget**

The City's budget process and the time limits under which the budget must be prepared are defined by the Revised Code of Washington (RCW) 35A.33. The procedures followed in establishing the biennial budget are described below:

- Starting in January, the finance department begins forecasting current and future-year revenues, updating projections with every month's actual revenue receipt.
- Current year actual-to-budget reviews are conducted quarterly by finance with departments, to assess course corrections needed in the current year and identify future budget considerations. By late May, the Finance Department finalizes timelines, forms and instructions for submission of current level service budgets and a preliminary financial forecast.
- By late June, departments submit their preliminary expenditure estimates and the Finance department updates the preliminary revenue estimates to define resources available to finance coming year expenditure programs.
- By the first Tuesday in September, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council, expenditure estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Finance Director. Copies of the preliminary budget are provided to the City Council and made available to staff and the public.
- City Council conducts workshops and public hearings on the proposed budget between mid-September and mid-October.
- No later than the third Monday in November, the City Council must adopt an ordinance to establish the amount of property taxes to be levied in the coming year.
- No later than the first two weeks of November, the City Clerk publishes a notice of the filing of the preliminary budget and notices of public hearings to be held during preliminary budget deliberations.
- Two public hearings on the proposed budget are also held during October and November. Final hearings on the budget must begin on or before the first Monday of December, and may continue until the 25th day prior to beginning of the next fiscal year.
- By December 31, the City Council makes its adjustments to the proposed budget and adopts a final budget by ordinance.
- The final operating budget, as adopted, is published and distributed within the first three months of the following year. Copies of the adopted budget are made available to the public.



## **Amending the Budget**

The Mayor is authorized to transfer budgeted amounts between departments within any fund as articulated in RCW 35A.34.200(2); revisions that alter the total expenditures of a fund are approved by City Council, except for wage adjustments authorized by RCW 35A.34.180. City Council approves budget amendments by ordinance after holding publicly noticed hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised by City Council-authorized budget amendments during the year.

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.

## **ASSETS, LIABILITIES, FUND BALANCE, NET POSITION**

### **Cash and Cash Equivalents**

The City follows the practice of pooling cash and investments of all funds for investment purposes, except for cash held in escrow, which is disclosed separately on the balance sheet. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as cash and cash equivalents and investments.

It is the City's policy to invest all cash not immediately required for disbursement, allowing for contingencies and probable short-term needs. At year-end, the City had \$107,868,811 in cash, cash equivalent and investments. At December 31, 2022, the City had \$52,604,481 on deposit in the Local Government Investment Pool (LGIP) and \$47,508,358 in US Treasury and Federal Agency Securities. The amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments was prorated to the various funds based on the average monthly balance for each fund up through March 2022. Beginning in April 2022, interest on investments is credited to the General Fund, authorized by City Council current investment policy.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered.

### **Investments**

See (Note 5 - *Deposits and Investments*).

The City retains sufficient cash in depository accounts for safety, invests cash in the LGIP for liquidity, and in a laddered portfolio of US treasuries and agencies for yield, having first assured the safety and liquidity needs of the City are met (see Note 5 - *Deposits and Investments*).

### **Receivables**

Taxes receivable consists of property taxes and related interest and penalties (see Note 6 - *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billing have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

### **Amounts Due to and from Other Funds and Governments; Interfund Loans**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 12, *Interfund Balances and Transfers*.

## Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. Amounts remaining at year-end are immaterial and, therefore, are not reflected on the balance sheets of those funds except for the Performing Arts & Event Center. There were no material inventories at year-end in the Internal Service or Enterprise Funds. The City currently uses the consumption method of accounting for prepaids. The city uses FIFO as its valuation method for inventory.

## Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Federal Way as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. See Note 8, *Capital Assets*.

Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset, or increase the capital asset's estimated useful life. However, cost of normal maintenance and repairs are not capitalized.

Depreciation on all capital assets is recorded as an allocated expense in the government-wide Statement of Activities and in the proprietary fund statements. Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Life in Years</u>
Computers	5-6
Printers & Faxes	7
Telecommunications Equipment	7
Police Radio Equipment	11
Other Office Equipment	4-10
Office Furniture and Fixtures	10
Recreation Equipment	10
Parks Equipment	6-10
Police Equipment	9-11
Shop/Miscellaneous Equipment	10-12
Heavy Work Equipment	10-16
Non-Police Vehicles	7
Police Patrol Vehicles	5-7
Police Non-Patrol Vehicles	7-10
Heavy Trucks	8-10
Land Improvements	20
Buildings	20
Infrastructure	15-100

## Leases

**Lessee:** The city is a lessee for noncancelable leases. The city recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The city recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

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

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

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

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

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

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

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

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

## Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. See (Note 6 – *Property Tax & Other Revenues*) and (Note 9 – *Pension Plans*)

## **Compensated Absences**

The City records a liability for all outstanding vacation pay and accrued compensatory time. In governmental funds, vacation pay and compensatory time is recorded as expenditures when paid which occurs when used or upon termination. In the entity-wide statements and the proprietary fund statements, vacation pay and compensatory time is recorded as a liability and expense in the year earned.

Employee vacation leave is accumulated monthly at rates ranging from 12 to 27 days per year depending on term of employment. Employees may accumulate up to a maximum of 240 hours of vacation leave, except the Commissioned staff, who can accrue up to a maximum of 440 hours. Outstanding vacation leave is payable upon termination of employment at the following rate: City Employees up to 240 hours and Commissioned staff members will be paid out up to two times their annual accrual rate.

A non-exempt employee may request compensatory time off in lieu of overtime payment. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked, to a maximum of eighty hours for all non-exempt employees.

Sick leave may be accumulated up to a maximum of 760 hours for regular City employees per City policy and 1,080 hours for Commissioned staff. The monthly accrual rate for City employees is 8 hours per month. Accumulated sick leave is not payable upon termination of employment for City employees. For Commissioned staff upon retirement into LEOFF II, twenty-five percent of unused sick leave will be cashed out up to a maximum of 270 hours; 100% will be cashed out if death occurs in the line of duty. Outstanding sick leave at year-end is not accrued due to the difficulty in estimating the portion of existing balances likely to result in expenditures in future periods. Compensated Absences Payable outstanding at year-end is outlined in Note 11.

## **Pensions**

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See (Note 9 – *Pension Plans*).

For purposes of calculating the restricted net position the City calculates net pension asset, minus the deferred inflows, plus deferred outflows direction related to pension plans that have a net pension asset.

## **Long-Term Liabilities**

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. See (Note 11 - *Long-Term Debt*).

## **Unearned Revenues**

Unearned revenue is a liability account that reports amounts received in advance of providing goods or services. For detailed information, see (Note 7 – *Unearned Revenues and Receivables*).

## Fund Balance Classification

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

*Nonspendable* – amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.

*Committed* – amounts that can be used only for the specific purposes determined by formal action of the City Council through a resolution. Commitments may be changed or lifted by the action of the City Council using the same formal action of a resolution that was used to create the commitment.

*Assigned* – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the City Council or the Mayor. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other government funds, at a minimum, are intended to be used for the purpose of that fund.

*Unassigned* – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

City Council can modify or rescind a fund balance commitment by resolution. When an expenditure is incurred for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When unrestricted (committed, unassigned) resources are available, it is the City's policy to spend committed resources first, and then unassigned, in that order. The minimum fund balance established by the Reserve Policy, and passed by resolution from the City Council, states "The City shall have an operating cash flow reserve of seventeen percent of the City's General Fund operating expenditures or \$9 million. In addition, the City shall have a contingency for unanticipated cost of \$1 million to cover revenue shortfalls resulting from unexpected economic change or recessionary periods, or to provide funds in the event of major unplanned expenditures the City could face as a result of natural disasters. The policy shall also include a strategic opportunities reserve of \$2 million to provide liquidity to respond to economic opportunity that is not budgeted for that may provide a long-term economic benefit to the City. In the event that any of the Contingency or Strategic Opportunities Reserve is used, such appropriation shall be repaid to the fund annually over the next three years. The purpose of the ending fund balance is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength." General fund expenditures on December 31, 2022 were \$57.6 million and Unassigned General fund balance at year-ended 2022 was \$16.0 million or 23% of total governmental fund balance.

Other funds that have a significant minimum fund balance policy are: Street Fund - \$0.5 million; Arterial Street Fund - \$0.1 million; Utility Tax Fund - \$2.5 million, REET Fund – one year revenue reserve; Park Equipment and Infrastructure Reserve Fund - \$1.125 million; Hotel/Motel Lodging Tax Fund - \$0.2 million; Community Center Fund - \$1.5 million; Traffic Safety Fund - \$1.2 million; Debt Service Fund – adequate reserve in accordance with bond ordinance or minimum of one year debt service amount; Dumas Bay Centre Fund - \$1.5 million; and Surface Water Management Fund – 17% of operating expenses from prior year, and not less than \$0.5 million in SWM Capital Fund.

2022 FUND BALANCE CLASSIFICATION								
Fund Balance	General Fund	Street	Utility Tax	Debt Service	Performing Arts & Event Ctr Oper.	Transportation	Nonmajor Gov't	Total
<b><i>Nonspendable:</i></b>								
Court funds	\$ 254,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	254,580
Prepaid items/Inventory	14,336	-	-	-	31,552	-	-	45,888
<b><i>Restricted for:</i></b>								
Police covert/flash funds	691,477	-	-	-	-	-	-	691,477
Opioid settlement	49,047	-	-	-	-	-	-	49,047
Arterial Street Overlay	-	-	-	-	-	-	1,021,277	1,021,277
Affrd. & Supprt. Housing Sales & Use Tax	-	-	-	-	-	-	161,858	161,858
Special Contracts/Studies	-	-	-	-	-	-	974,240	974,240
Hotel/Motel Lodging Tax	-	-	-	-	-	-	1,860,460	1,860,460
Path & Trails Reserves	-	-	-	-	-	-	1,864,722	1,864,722
Downtown Redevelopment	-	-	-	-	-	-	4,439,778	4,439,778
Parks CIP	-	-	-	-	-	-	1,742,874	1,742,874
Transportation CIP	-	-	-	-	-	14,064,885	-	14,064,885
Real Estate Excise Tax	-	-	-	-	-	-	4,287,192	4,287,192
Community Development Block Grant	-	-	-	-	-	-	25,107	25,107
<b><i>Committed to:</i></b>								
Capital, debt, and operations	-	-	4,612,313	-	-	-	-	4,612,313
Petty cash/advance travel	8,350	-	-	-	-	-	-	8,350
Proposition 1	-	-	1,553,705	-	-	-	-	1,553,705
Transportation CIP	-	-	-	-	-	1,335,245	-	1,335,245
City Facilities CIP	-	-	-	-	-	-	172,205	172,205
Solid Waste/Recycling	-	-	-	-	-	-	380,858	380,858
Federal Way Community Center	-	-	-	-	-	-	1,710,217	1,710,217
Traffic Safety	-	-	-	-	-	-	2,453,193	2,453,193
Snow/ice removal	-	380,199	-	-	-	-	-	380,199
Parks CIP	-	-	-	-	-	-	261,820	261,820
Performing Arts & Event Ctr	-	-	-	-	7,013,797	-	-	7,013,797
Capital Project Reserve	-	-	-	-	-	-	365,093	365,093
Technology	-	-	-	-	-	-	454,556	454,556
Solid Waste 10% Utility tax	-	-	1,610,554	-	-	-	-	1,610,554
<b><i>Unassigned:</i></b>								
General Fund	16,014,094	-	-	-	-	-	-	16,014,094
Debt service	-	-	-	(1,417,392)	-	-	-	(1,417,392)
<b>Total Fund Balance: \$ 17,031,885 \$ 380,199 \$ 7,776,572 \$(1,417,392) \$ 7,045,349 \$ 15,400,131 \$ 22,175,452 \$ 68,392,195</b>								

The Government-wide statement of net position reports \$599.0 million of net position, of which \$49.4 million is restricted by the enabling legislation, and \$488.5 million is for net investment in capital assets (there are no unspent proceeds of debt).

### Interfund Transactions

There are three types of transactions between funds: interfund loans, interfund services provided and used, and interfund transfers. Interfund loans are temporary borrowings of cash which do not affect operating statements, but which may incur interest expense or expenditure to the borrowing fund. Interfund services provided and used are equivalent to buying goods or services from an outside vendor, and are accounted for by the related funds as revenues, expenditures or expenses. The interfund transfers are accounted for as "other financing sources and uses" and are therefore included in the operating statements (see Note 12).

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS****Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position**

The governmental funds' 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. One element of the reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds.” The details of this \$38,533,718 difference are as follows:

Bonds Payable & Premium at beginning of year	\$ 31,401,480
Plus: Inclusion of compensated absences	2,590,422
Less: Current year addition/(reduction) of principal portion of debt/lease & premium	(6,760,117)
Plus: Current year addition/(reduction) of principal portion of lease & premium	9,574,413
Plus: Net Pension Liability	2,796,835
Plus: Deferred Inflows of Resources Related to Pensions	9,946,097
Less: Deferred Outflows of Resources Related to Pensions	(11,015,412)
Net Adjustment to reduce fund balances- <i>total governmental funds to arrive at net position - governmental activities</i>	<u>\$ 38,533,718</u>

**Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental funds' statement of revenues, expenditure, 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. One element of that reconciliation explains that “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.” The details of this \$8,450,161 difference are as follows:

Capital outlay	\$ 16,714,534
Plus: Net Increase in investment in joint venture	540,727
Plus: Contributed Capital/Donated from Other Funds	(1,751,275)
Less: Governmental depreciation expense	(7,053,825)
Net adjustment to increase net changes in fund balances - <i>Total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 8,450,161</u>

Another element of the reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” This item presents:

Property taxes and other revenues earned reported as deferred inflow of resources in the fund statements	<u>\$ 932,183</u>
--	-------------------

Another element of the reconciliation states that “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 the funds.” This item represents:

Compensated absences	<u>\$ (178,301)</u>
Accrual adjustment for GASB 68 pension reporting	<u>\$ 1,557,055</u>
Accrual adjustment for GASB 87 lease reporting	<u>\$ (9,558,288)</u>

**Explanation of certain differences between the proprietary fund statement of net position and the government-wide statement of net position**

The proprietary fund statement of net position includes a reconciliation between net position-total enterprise funds and net position of business-type activities as reported in the government-wide statement of net position. The description of the sole element of that reconciliation is “adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.” The details of the \$150,178 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities	<u>\$ (150,178)</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$ 150,178</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

**NOTE 4 – SUPPLEMENTAL APPROPRIATIONS****Operating Budget Funds**

Appropriations established during 2022 for the City's operating budget funds are provided below. As explained in Note 1, both original and supplemental appropriations are adopted by the City Council by ordinance. Both original and final budget appropriations are shown on the accompanying financial statements. The final budget values include all adopted adjustments to original budget amounts. This table does not include transfers out or Proprietary Funds.

<b>2022 Operating Budget Funds</b>			
<b>Fund</b>	<b>Original Budget</b>	<b>Supplemental Appropriations</b>	<b>Final Budget</b>
<i>General Fund</i>	\$ 49,291,326	\$ 21,346,495	\$ 70,637,821
<i>Special Revenue Funds:</i>			
Street Fund	4,776,669	595,805	5,372,474
Arterial Street Fund	3,051,111	(1,159,194)	1,891,917
Utility Tax Fund	4,170,276	3,418,862	7,589,138
Affrd. & Supprt. Housing Sales & Use Tax	-	250,000	250,000
Solid Waste/Recycling Fund	545,844	135,780	681,624
Special Contracts / Studies	-	450,000	450,000
Hotel/Motel Lodging Tax	155,000	-	155,000
Federal Way Community Center	2,756,334	-	2,756,334
Traffic Safety	2,775,519	754,204	3,529,723
Performing Arts & Event Center Oper.	2,299,750	331,887	2,631,641
Community Development Block Grant	758,323	1,473,743	2,232,066
Technology	14,300	270,000	284,300
<i>Subtotal Special Revenue Funds:</i>	21,303,125	6,521,087	27,824,216
<i>Debt Service Fund</i>	2,955,890	5,016,656	7,972,546
<i>Capital Project Funds:</i>			
Parks	375,000	220,000	595,000
Transportation	7,573,566	18,260,464	25,834,030
<i>Subtotal Capital Project Funds:</i>	7,948,566	18,480,464	26,429,030
<b>Total:</b>	<b>\$ 81,498,907</b>	<b>\$ 51,364,702</b>	<b>\$ 132,863,613</b>



**NOTE 5 – DEPOSITS AND INVESTMENTS**

All deposits and investments of the City's funds are subject to oversight by State statute and the city council-approved city investment policy.

**Cash and Deposits**

The City follows the practice of pooling cash and investments of all funds, except restricted funds and funds held with a trustee or in escrow, for investment purposes as disclosed in Note 1. The City's bank deposits are covered by Federal Deposit Insurance Corporation (FDIC) or by capitalization and collateral held by the collective multiple financial institutions administered by the Washington Public Deposit Protection Commission (PDPC). State law requires that all deposits of public funds over and above federally insured amounts (including Certificates of Deposit) be protected in accordance with regulations of the PDPC. All collateralization requirements are determined by the PDPC to ensure public funds deposited in banks are protected should a financial institution become insolvent. The names of authorized public depositories may be found at: <https://tre.wa.gov/pdpc-banks/>. At December 31, 2022 the equity in pooled cash and investments was \$107,868,811. The City had the following cash and investment:

<b>CASH &amp; INVESTMENT RECONCILIATION OF GOVERNMENT-WIDE STATEMENT OF</b>	
Key Bank checking account per books	\$ 6,275,713
US Bank Safekeeping account per books	1,096,942
Key Bank deposit account	250
WAFd Bank PAEC checking account & change fund	1,200
Jury Fund checking account	2,400
WA FD Bank PAEC checking account	486,980
Petty cash/change fund/advance travel/investigative fund	34,150
Local Government Investment Pool	52,604,481
US Treasury & Federal Agency Securities	47,508,358
Less: cash & cash equivalents in fiduciary funds	(478,393)
Municipal Court Trust on books	254,580
Subtotal cash, cash equivalents, and investments	107,786,660
Cash with escrow agent	82,151
<b>Total Cash and Investments</b>	<b>\$ 107,868,811</b>
<b>Total Cash &amp; Investments</b>	<b>\$ 107,868,811</b>

At year-end, the City had \$107,868,811 in cash, cash equivalents, and investments which consisted of investments with the LGIP of \$52,604,481; the City's checking account bank balance prior to outstanding checks was \$6,275,713; Investment Safekeeping account was \$47,508,358 based on Fair Value; deposit account of \$250, Performing Arts & Event Center checking account and change fund totaling \$486,980, petty cash, change fund and investigative fund totaling \$34,150, and Court Trustee Fund of \$254,580; excluding fiduciary funds of \$478,393. Cash held with an escrow agent is \$82,151.

**Investments**

Cash and investments are managed in accordance with the City's Investment Policy, updated and approved by City Council on April 5, 2022. The policy applies to financial assets of the City in all funds.

The city is a voluntary participant in the Local Government Investment Pool (LGIP), a qualified external investment pool, managed and operated by the Office of the State Treasurer (OST). Investments in the LGIP are reported at amortized cost and funds on deposits can be withdrawn with next-day availability, and limited to one transaction per business day, at a minimum transaction amount of five thousand dollars with no maximum transaction amount.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79, Certain External Investment Pools and Pool Participants.” 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>.

All investments shall be managed in a manner responsive to the public trust, consistent with state statutes (Revised Code of Washington (RCW). Authority to manage the City’s investment program is derived from RCW sections 35A.40.050 and 35.39.032 and from the Federal Way Revised Code sections 3.45.010 and 3.45.020.

The City’s assessment of risk that investments are subject to, and mitigation of those risks, are as follows:

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City’s deposits over FDIC-insured amounts (up to \$250,000) may not be recovered. The City’s risk is reduced because of Public Deposit Protection Commission (PDPC) regulatory oversight, as required of all municipalities in the State of Washington. Under State statute, members of WPDPC, a multiple-financial institution collateral pool, may be assessed on a prorated basis if the pool’s collateral is insufficient to cover a loss. For laddered investments, the City investments are held with US Bank, acting as an independent third-party custodian in the form of a Safekeeping Agreement to guard against potential fraud and embezzlement.

#### Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the value of City assets. The City has no exposure to foreign currency risk for deposits as of December 31, 2022.

#### Interest Rate Risk

Interest rate risk is the risk the city may face should interest rate variances affect the fair value of investments. The City mitigates this risk by first assuring safety and liquidity needs are met so that the premature sale of an investment can be avoided. The City’s investment policy articulates a specific strategy of purchasing all investments with the intent to hold to maturity, therefore fluctuations in principal value are negated by receiving full principal value at maturity. Liquidity is maintained in depository accounts and the LGIP to preclude the need to sell an investment prior to maturity; therefore unrealized gains or losses due to fair value are unlikely to be realized.

#### Reinvestment Risk

Reinvestment risk is the risk that the proceeds from the payment of principal and interest would have to be reinvested at a lower rate than the original investment. As a means of limiting its exposure to locking in low rates for long periods of time, the City’s investment policy states the expected and final maturity of any security will not exceed 5-years at time of purchase.

The City’s investment policy states that “Staggered maturities are to be a component of the diversified investment strategy, employed to minimize reinvestment risk due to rate fluctuations building a reasonably laddered maturity schedule.” The City manages reinvestment exposure by purchasing investments in \$1 million increments each maturing in a different month in the future. The following table shows the distribution of fair values by investment type and remaining maturity.

**SCHEDULE OF INVESTMENTS BY MATURITIES  
AS OF DECEMBER 31, 2022**

Investment Type	Amount	Remaining Maturity				
		12 months or less	12-24 months	25-36 months	37-48 months	49-60 months
Investments by fair value level						
US Treasury Securities	31,121,720	6,896,135	6,650,077	7,345,313	8,231,484	1,998,711
Government Sponsored Enterprises (GSE)	16,386,638	4,871,278	4,789,707	3,809,877	2,915,776	-
Total Investments by fair value	47,508,358	11,767,413	11,439,784	11,155,190	11,147,260	1,998,711
Investments measured at amortized cost						
Local Government Investment Pool (LGIP)	52,604,481	52,604,481	-	-	-	-
Total Investments	\$ 100,112,839	\$ 64,371,894	\$ 11,439,784	\$ 11,155,190	\$ 11,147,260	\$ 1,998,711

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The city's investment policy authorizes primary investment in LGIP, Treasuries, Agencies and Corporate notes. As of December 31, 2022, the City had no investments in corporate issuers except for the City's \$52.6 million position in the State's LGIP holdings of \$21.4 billion, or 0.25%.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City mitigates this risk by limiting the maximum investment per issuer as follows:

SCHEDULE OF INVESTMENTS BY ISSUER AS OF DECEMBER 31, 2022							
Authorized Investment Type	Ratings		Maturity	Maximum % of Portfolio		Maximum % Per Issuer	
	Moody's	S&P		Policy Limit	Actual at Dec. 31, 2022	Policy Limit	Actual at Dec. 31, 2022
US Treasury securities	Aaa	AA+	5 years	100%	32%	100%	32%
Government Sponsored Enterprises (GSE)	Aaa	AA+	5 years	100%	16.6%	-	-
Federal Home Loan Mortgage Corporation (FHLMC)	Aaa	AA+	5 years	-	-	40%	4.9%
Federal Farm Credit Bank (FFCB)	Aaa	AA+	5 years	-	-	40%	3.9%
Federal Home Loan Bank (FHLB)	Aaa	AA+	5 years	-	-	40%	3.9%
Federal National Mortgage Association (FNMA)	Aaa	AA+	5 years	-	-	40%	2.9%
Tennessee Valley Authority (TVA)	Aaa	AA+	5 years	-	-	40%	1.0%
Local Government Investment Pool (LGIP)			NA	100%	51%	100%	51%
Corporate Notes			5 years	15%	-	2%	-
Commercial Paper			5 years	15%	-	2%	-
Same-State Government Agency Issuer			5 years	15%	-	2%	-
Other-State Government Agency Issuer			5 years	5%	-	2%	-
Certificates of Deposit			5 years	10%	-	2%	-

Fair Value and Amortized Cost Measurement

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

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

The city's investments consist of Treasuries and Agencies, all actively traded instruments and therefore able to be reasonably priced by nationally-known vendors. Fair Value is priced using US Bank Safekeeping Operations monthly valuation reports and LGIP (Local Government Investment Pool) is measured at amortized cost. At December 31, the city had the following investments measured at its respective value and amortization cost:

SCHEDULE OF INVESTMENT BY FAIR VALUE MEASUREMENT AS OF DECEMBER 31, 2022				
	Amount	Quoted Prices in Active Markets		Significant other Observable Inputs (Level 2)
		Identical Assets (Level 1)	Unobservable Inputs (Level 3)	
<b>Investments by fair value level</b>				
US Treasury securities	\$ 31,121,720	\$ -	\$ 31,121,720	\$ -
Government Sponsored Enterprises (GSE)	16,386,638	-	16,386,638	-
<b>Total investments by fair value level</b>	<b>47,508,358</b>	<b>-</b>	<b>47,508,358</b>	<b>-</b>
<b>Investments measured at amortized cost</b>				
Local Government Investment Pool (LGIP)	52,604,481	52,604,481	-	-
<b>Total Investments</b>	<b>\$ 100,112,839</b>	<b>\$ 52,604,481</b>	<b>\$ 47,508,358</b>	<b>\$ -</b>

**NOTE 6 – PROPERTY TAXES & DEFERRED INFLOWS OF RESOURCES FOR OTHER REVENUES**

King County Treasurer is responsible for collecting property taxes levied in the County by all taxing districts. Amounts collected by the County on the City's behalf are remitted daily.

**PROPERTY TAX CALENDAR:**

01-Jan	Taxes are levied and become an enforceable lien against properties
14-Feb	Tax bills are mailed
30-Apr	First of two equal installment payments are due
31-May	Assessed value of property established for next year's levy at 100% of market value
31-Oct	Second installment is due

As described in Note 1, taxes are levied and become an enforceable lien against properties as of January 1. Annual tax billings may be paid in two equal installments, due April 30 and October 31. At December 31, 2022, the balance of property taxes receivable recorded by the City was \$240,168. Of this, \$184,881 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of the end of 2022.

Property taxes 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 maximum statutory levy (for general governmental services), under State law, is \$1.60 per \$1,000 of assessed value. Because the City of Federal Way is annexed to a fire district and a library district, the statutory \$3.60 maximum levy rate is reduced by \$2.00, reserving \$1.50 for the fire district and \$0.50 for the library district.

- Chapter 84.55 of the State RCW was amended by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and state-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
- The Washington State Constitution limits the annual rate of property taxes that may be imposed on an individual parcel or property to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

For levy year received in 2022, the City's regular tax levy rate was \$0.81689 per \$1,000 on a 2021 regular assessed valuation of \$14,210,298,330 for a total regular levied tax of \$11,609,080.

**Deferred Inflow of Resources**

The table below provides details of the deferred inflow of resources as reported on the fund financial statements.

<b>DEFERRED INFLOW OF RESOURCES AS OF DECEMBER 31, 2022</b>				
<b>Deferred Inflow</b>	<b>General</b>	<b>Other Funds</b>	<b>Total General Govt</b>	
Property tax	\$ 184,881	\$ -	\$	184,881
Intergovernmental	222,802	438,676		661,478
Opioid Settlement	609,165	-		609,165
<b>Total by Fund:</b>	<b>\$ 1,016,848</b>	<b>\$ 438,676</b>	<b>\$</b>	<b>1,455,524</b>

Deferred inflows for leases amount to \$2,312,312 in 2022.

**NOTE 7 – UNEARNED REVENUES AND RECEIVABLES****Unearned Revenues**

The table below provides details of the unearned revenues as reported on the statement of net position.

UNEARNED REVENUES AS OF DECEMBER 31, 2022								
Unearned Revenues	General	Street	PAEC Oper.	Nonmajor Gov't	Total General Govt	Surface Water Mgmt	Dumas Bay Centre	Total Proprietary
SWM fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,375	\$ -	\$ 196,375
AOC Grant	144,559	-	-	-	144,559	-	-	-
Unmet Needs	100,000	-	50,000	-	150,000	-	-	-
King County New Solution Grant	-	-	11,987	-	11,987	-	-	-
Commute Trip Reduction	-	73,893	-	-	73,893	-	-	-
PAEC Fees	-	-	92,733	-	92,733	-	-	-
ARPA Grant	14,837,037	-	-	-	14,837,037	-	-	-
Recreation programs / facility rentals/ other	64,060	-	-	84,853	148,913	-	155,822	155,822
<b>Total by Fund:</b>	<b>\$15,145,657</b>	<b>\$73,893</b>	<b>\$154,720</b>	<b>\$84,853</b>	<b>\$15,459,122</b>	<b>\$196,375</b>	<b>\$155,822</b>	<b>\$352,197</b>

**Receivables & Due from Other Governments**

The receivables for the fiscal year ended December 31, 2022 on the government-wide statement of net position are detailed in the following schedule.

RECEIVABLES & DUE FROM OTHER GOVERNMENTS AS OF DECEMBER 31, 2022								
Receivable	General/Debt	Street	Utility Tax	Performing Arts & Event Ctr. Oper.	Transport- ation	Nonmajor Gov't	Proprietary /Int Svc	Total
Property tax	\$ 240,168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,168
Admissions tax	28,189	-	-	-	-	-	-	28,189
Real Estate Excise tax	-	-	-	-	-	173,537	-	173,537
Utility tax	-	-	1,869,139	-	-	-	-	1,869,139
Gambling tax	36,624	-	-	-	-	-	-	36,624
Franchise Fee	252,097	-	-	-	-	-	-	252,097
Recreation programs/ Facilities	49,822	-	-	125,147	-	66,131	70,169	311,269
Grants/contributions/utility construction contract receivable/permits	381,160	177,110	-	-	2,608,366	772,276	56,718	3,995,630
Off Duty security & Other receivable	742,457	99	-	-	-	63,972	293,460	1,099,988
State Shared revenue	4,497,138	173,883	4,127	-	45,736	145,877	-	4,866,761
Interest earnings	171,897	-	-	-	-	2,593	-	174,490
Surface Water Management fees	-	-	-	-	-	-	261,110	261,110
<b>Total by Fund:</b>	<b>\$6,399,552</b>	<b>\$351,091</b>	<b>\$1,873,266</b>	<b>\$125,147</b>	<b>\$2,654,102</b>	<b>\$1,224,386</b>	<b>\$681,458</b>	<b>\$13,309,002</b>

There is an additional long-term notes receivable of \$6.2 million not included in the table above due to adding PAEC QualicB notes receivable.

In addition, \$2,379,550 was added this year in leases receivable.

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2022 is as follows:

At the end of 2022, 18 projects comprise the Construction in Progress for Governmental Activities. Upon completion, the projects will be capitalized in the Government-wide statements in their appropriate categories. Construction commitments for Governmental Activities as of December 31, 2022, are as follows:

<b>CAPITAL ASSETS AS OF DECEMBER 31, 2022</b>				
<b>Governmental Activity</b>	<b>Adjusted Beginning Balance 1/1/2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 12/31/2022</b>
Capital Assets, not being depreciated:				
Land	\$283,719,508	\$ -	\$ -	\$283,719,508
Construction in progress	14,263,396	5,213,230	(1,657,639)	17,818,987
Total capital assets, not being depreciated:	\$297,982,905	\$5,213,230	\$ (1,657,639)	\$301,538,496
Capital assets, being depreciated:				
Buildings	39,915,606	-	(9,093)	39,906,513
Leases Buildings	9,769,841	-	-	9,769,841
Improvements other than buildings	28,850,532	-	-	28,850,532
Infrastructure	204,055,155	1,657,639	-	205,712,794
Machinery & equipment	23,331,610	2,982,068	(1,060,081)	25,253,597
Total capital assets, being depreciated:	305,922,744	4,639,707	(1,069,174)	309,493,277
Less accumulated depreciation for:				
Buildings	(28,486,991)	(1,904,894)	9,093	(30,382,792)
Leases Buildings	-	(454,517)	-	(454,517)
Improvements other than buildings	(21,371,642)	(651,496)	-	(22,023,138)
Infrastructure	(90,151,876)	(4,740,445)	-	(94,892,321)
Machinery & equipment	(15,001,319)	(1,691,222)	1,016,783	(15,675,758)
Total accumulated depreciation:	(155,011,828)	(9,442,574)	1,025,876	(163,428,525)
Total assets being depreciated, net	150,910,916	(4,802,867)	(43,298)	146,064,752
<b>Governmental activities capital assets, net</b>	<b>\$448,893,821</b>	<b>\$410,363</b>	<b>(\$1,700,937)</b>	<b>\$447,603,247</b>

<b>Business-Type Activities</b>	<b>Adjusted Beginning Balance 1/1/2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 12/31/2022</b>
Capital Assets, not being depreciated:				
Land	\$11,340,293	\$ -	\$ -	\$11,340,293
Construction in progress	256,368	22,612	(78,601)	200,379
Total capital assets, not being depreciated:	\$11,596,661	22,612	(78,601)	11,540,672
Capital assets, being depreciated:				
Buildings	4,514,313	-	-	4,514,313
Improvements other than buildings	4,229,931	-	-	4,229,931
Infrastructure	68,552,996	78,601	-	68,631,597
Machinery & equipment	214,634	-	-	214,634
Total capital assets, being depreciated:	77,511,873	78,601	-	77,590,474
Less accumulated depreciation for:				
Buildings	(3,821,240)	(48,308)	-	(3,869,548)
Improvements other than buildings	(443,634)	(42,299)	-	(485,933)
Infrastructure	(18,251,166)	(685,530)	-	(18,936,696)
Machinery & equipment	(143,745)	(7,360)	-	(151,105)
Total accumulated depreciation:	(22,659,785)	(783,497)	-	(23,443,282)
Total assets being depreciated, net	54,852,088	(704,896)	-	54,147,192
<b>Business-Type activities capital assets, net</b>	<b>\$66,448,749</b>	<b>(\$682,284)</b>	<b>(\$78,601)</b>	<b>\$65,687,864</b>

<b>CAPITAL COMMITMENTS AS OF DECEMBER 31, 2022</b>		
<b>Governmental Activities Projects</b>	<b>Construction in progress</b>	<b>Remaining Commitment</b>
SW 336th Way / SW 340th St - 26th Pl SW - Hoyt Rd	255,948	-
Adaptive Traffic Control System Project Phase I	2,782,089	248,514
City Center Access Project Phase I	4,193,675	433,325
Street Light LED Conversion Project	2,713,369	747,567
SR 509 SW 312th Street - 21st Ave SW SRTS Project	2,742,331	-
Adaptive Traffic Control Phase III	867,169	44,977
47th Ave SW & SW Dash Point Rd Compact	1,479,803	103,000
Pac Hwy Non-Motorized Corridor - 16th Ave S	937,618	-
S 314th St Improvements	99,091	-
Citywide Variable Lane Use Control Signal	686,655	-
SR 99 @ 373rd Roundabout	94,568	1,346,515
21st Ave / S 320th St Signal	228,426	76,573
ADA Retrofits Citywide	4,627	395,373
SW 344th St @ 27th SW Compact Roundabout	136,738	-
Adaptive City Center Stage 2	42,079	41,944
Citywide Pedestrian Safety System Improvements	234,522	23,120
S 288th St Pacific Hwy S to 34th Ave S Bike & Pedestrian Improvements	310,161	1,048,494
Fiber Optic Network Loop	10,117	2,637,870
<b>Total Governmental Activities</b>	<b>\$ 17,818,987</b>	<b>\$ 7,147,272</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>CAPITAL ASSETS DEPRECIATION BY TYPE AS OF DECEMBER 31, 2022</b>	
<b>Governmental and Internal Service Activities</b>	
General government	\$418,109
Public safety	1,170,731
Transportation	5,080,141
Utilities	20,499
Natural and economic environment	564,676
Social services	56,063
Culture & recreation	2,132,354
<b>Total Depreciation - Governmental Activities</b>	<b>\$9,442,574</b>
<b>Business-Type Activities</b>	
Utilities - Surface Water Management	\$769,440
Culture & Recreation - Dumas Bay Centre	14,057
<b>Total Depreciation - Business-Type Activities</b>	<b>\$783,497</b>



**NOTE 9 – PENSION PLANS**

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

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	(\$3,128,877)
Pension assets	\$16,042,722
Deferred outflows of resources	\$11,598,022
Deferred inflows of resources	(\$10,537,616)
Pension expense/expenditures	\$1,359,510

**State Sponsored Pension Plans**

Substantially all City of Federal Way 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 ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

\* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 12.26%.



The City of Federal Way's actual PERS plan contributions were \$720,873 to PERS Plan 1 for the year ended December 31, 2022.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

\* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 15.90%.

The City of Federal Way's actual PERS plan contributions were \$720,873 to PERS Plan 1 and \$1,212,426 to PERS Plan 2/3 for the year ended December 31, 2022.

## Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

### Contributions

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

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

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.50%</b>
September – December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.63%</b>	<b>6.60%</b>

The City of Federal Way's actual plan contributions were \$9,215 to PSERS Plan 2, \$720,873 to PERS Plan 1 and \$1,212,426 to PERS Plan 2/3 for the year ended December 31, 2022.

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

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

**LEOFF Plan 1** City of Federal Way does not have LEOFF Plan 1.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

### Contributions

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

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

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

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.71%</b>	<b>8.53%</b>

The City of Federal Way's actual contributions to the plan were \$839,699 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the City of Federal Way as its proportionate share of this amount is \$523,040.

### **Actuarial Assumptions**

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

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

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

Mortality rates were developed using the Society of Actuaries' Publication 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 Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

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

### Discount Rate

The discount rate for the calculation of the total pension liability for all DRS plans was 7.0%.

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% 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 (CMA's) 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, 2022. 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

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%
	<b>100%</b>	

### Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Federal Way's proportionate share\* of the net pension liability calculated using the discount rate of 7%, as well as what the City of Federal Way's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$4,180,136	\$3,128,877	\$2,211,374
PERS 2/3	\$6,405,835	(\$5,439,595)	(\$15,171,364)
PSERS 2	\$9,128	(\$3,832)	(\$14,061)
LEOFF 2	(\$488,086)	(\$10,599,294)	(\$18,874,452)

\* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

### Pension Plan Fiduciary Net Position

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

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City of Federal Way's reported a total pension liability of \$3,128,877 and total pension net asset of \$16,042,721 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$3,128,878
PERS 2/3	(\$5,439,595)
PSERS 2	(\$3,832)
LEOFF 2	(\$10,599,295)

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City of Federal Way. The amount recognized by the City of Federal Way 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 of Federal Way were as follows:

	LEOFF 2 Asset
LEOFF 2 – employer's proportionate share	(\$10,599,295)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(\$6,865,992)
TOTAL	(\$17,465,287)

At June 30, the City of Federal Way proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.116424%	0.112373%	0.004051%
PERS 2/3	0.147557%	0.146668%	0.000889%
PSERS 2	0.000000%	0.005360%	0.005360%
LEOFF 2	0.382521%	0.390010%	0.007489%

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

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

**Pension Expense**

For the year ended December 31, 2022, the City of Federal Way recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$1,336,497
PERS 2/3	(\$1,789,578)
PSERS 2	\$737
LEOFF 2	\$1,811,854
TOTAL	\$1,359,510

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$518,547)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$370,523	\$0
TOTAL	\$370,523	(\$518,547)

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,347,804	(\$123,138)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$4,021,533)
Changes of assumptions	\$3,031,823	(\$793,840)
Changes in proportion and differences between contributions and proportionate share of contributions	\$121,917	(\$110,741)
Contributions subsequent to the measurement date	\$614,144	\$0
TOTAL	\$5,115,688	(\$5,049,252)

<b>PSERS 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,991	(\$42)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$2,688)
Changes of assumptions	\$2,813	(\$1,124)
Changes in proportion and differences between contributions and proportionate share of contributions	0	(\$3,148)
Contributions subsequent to the measurement date	\$6,844	0
TOTAL	\$11,649	(\$7,002)

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$2,518,567	(\$98,343)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$3,549,050)
Changes of assumptions	\$2,685,101	(\$922,909)
Changes in proportion and differences between contributions and proportionate share of contributions	\$474,900	(\$392,513)
Contributions subsequent to the measurement date	\$421,594	\$0
TOTAL	\$6,100,162	(\$4,962,815)

Deferred outflows of resources related to pensions resulting from the City of Federal Way'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:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2023	(\$219,438)
2024	(\$199,307)
2025	(\$250,024)
2026	\$150,222
2027	\$0
Thereafter	\$0
<b>Total</b>	<b>(\$518,547)</b>

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2023	(\$1,239,974)
2024	(\$1,108,465)
2025	(\$1,345,306)
2026	\$1,846,279
2027	\$661,467
Thereafter	\$638,291
<b>Total</b>	<b>(\$547,708)</b>

<b>Year ended December 31:</b>	<b>PSERS 2</b>
2023	(\$1,176)
2024	(\$1,064)
2025	(\$1,292)
2026	\$999
2027	\$39
Thereafter	\$296
<b>Total</b>	<b>(\$2,198)</b>

<b>Year ended December 31:</b>	<b>LEOFF 2</b>
2023	(\$1,092,899)
2024	(\$944,462)
2025	(\$1,264,118)
2026	\$1,552,616
2027	\$464,833
Thereafter	\$1,999,787
<b>Total</b>	<b>\$715,758</b>

## **Other Local Government Pension Systems - City of Federal Way Employees' Retirement System**

Effective June 1, 1990, the Federal Way City Council established the Federal Way Employees' Retirement System, per City Ordinance 90-74 and as authorized by the Federal Social Security Act (42 USCA, Section 418 (g)). The Retirement System is a defined contribution pension plan established as an alternative to the Federal Social Security System.

During 2022 there were a total of 387 individuals on average covered by this system. As of the end of the year, there were 419 active employees of the City and five were drawing retirement benefits. Fifty-seven employees left the City's employment during the year and had been reimbursed their contributions, reimbursement was pending, or they elected to have their contributions remain in the plan if the balance was \$1,000 or greater.

All regular employees of the City of Federal Way are required to participate in the system, with the City matching the employee's required contribution. The employee pays 6.2% and this is matched by the composite of a cash match (approximately 5.2%) and insurance payments (1%) for disability, survivor, accidental death and dismemberment, and lump sum death benefit coverage. Contributions into the plan are tax deferred.

Employees are entitled to make voluntary contributions to the plan, assuming that highly compensated and non-highly compensated employees are treated equally. Each payroll period, employees may make a voluntary contribution equal to a minimum of 1% of the participant's compensation, not to exceed 10% of the participant's compensation.

Covered payroll for 2022 was \$36,118,438 and excluding PERS, LEOFF, FWRS, deferred comp, flex plan, and section 125 covered payrolls was \$30,820,094. Total City payroll was \$37,242,722. Actual City contributions for the year were \$1,860,049. Actual employee contributions were \$2,217,753. All contributions were invested in instruments arranged through independent investment advisors selected by the Municipal Employees' Benefit Trust (MEBT) committee comprised of representatives of Bellevue, Kirkland, Redmond, Edmonds, Mill Creek, Woodinville, Federal Way, and North East King County Regional Public Safety Communication Agency (NORCOM) but administered by Northwest Plan Services (NWPS). Retirement System assets are not the property of the City and are not subject to the claims of the City's general creditors. The Federal Way Retirement System assets are with Security Trust Company, N.A. who invests Plan assets. Additional information on MEBT can be found at MEBT.org or at (877)-690-5410.

In July 1995, the City implemented the hardship withdrawal and loan provision program that allow participants to have limited access to their contributions while still employed by the City. Hardship withdrawals are available in the event of financial necessity resulting from uninsured medical expenses, tuition expenses, purchasing one's primary residence, or to prevent foreclosure on one's primary residence. Loans receivable as of December 31, 2022 were \$900,041. After 5 years an employee becomes 100% vested in their employer contributions. Also an employee becomes 100% vested when they reach their normal retirement date (the earlier of age 65 or the earliest service retirement date under any other retirement benefit program to which the City contributes on the employees behalf).

The consulting actuary firm of Northwest Plan Services (NWPS) has been contracted to provide record keeping, administrative and consulting services related to the Plan Actuarial determinations are not required because accidental death and dismemberment insurance, long-term disability, survivor income insurance and the lump sum death benefit are provided by a group insurance policy with Standard Insurance Company; and benefits paid to participants upon retirement are limited to: (a) a nonforfeitable, nontransferable annuity contract purchased by the plan's trustee, (b) retirement benefits payable from the employee's account to which no contributions by the City or the participant can be added after retirement, or a single lump-sum payment equal to the accumulated balance in the employee's account as of his retirement date.



**NOTE 10 – RISK MANAGEMENT**

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

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

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

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

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

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

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

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

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

The following is a summary of coverage in force in 2022.

SCHEDULE OF INSURANCE IN FORCE AS OF DECEMBER 31, 2022			
Company	Policy Period	Details of Coverage	Liability Limits
WCIA	1/1/2022 – 12/31/2022	General Liability (auto, general, police, e & o, employment practices, & stop gap)	\$20,000,000 per occurrence subject to annual aggregates and sub-limits. Deductible: zero
WCIA	1/1/2022 – 12/31/2022	Property Coverage	Limit \$400,000,000 per occurrence. Sub-limits: \$162,500,000 Earthquake per Occurrence; \$100,000,000 Flood per Occurrence. Deductible: Earthquake 2% of the values involved, subject to \$250,000 min per occurrence. Flood \$250,000,00 per occurrence. All other perils \$25,000 deductible.
WCIA	1/1/2022 – 12/31/2022	Automobile Physical Damage for Scheduled Automobiles	Actual Cash Value, except optional replacement cost coverage. Deductible \$1,000 per occurrence for scheduled automobiles
WCIA	1/1/2022 – 12/31/2022	Equipment Breakdown Coverage	\$100,000,000 Maximum Limit; Sub-limits: \$10,000,000 Business Interruption; \$5,000,000 Demolition, Ordinance of Law; \$1,000,000 Extra Expense; \$500,000 Hazardous Waste; and \$100,000 Off Premises Equipment Breakdown. Deductible \$10,000 Combined All Coverage Except. Turbine Generator Units, KP Motors, Pumps, and Deep Water Wells, KVA Transformers, HP A/C and Refrigeration Systems and HP ICE's and Generators >=500 HP
WCIA	1/1/2022 – 12/31/2022	Pollution Liability	Limit \$2,000,000 per condition; \$10,000,000 total policy & aggregate limits; sub-limit \$250,000. Deductible: \$100,000; 5 days
WCIA	1/1/2022 – 12/31/2022	Crime/Fidelity (employee theft, forgery or alteration, on premises, in transit, money orders and counterfeit money, computer crime, fund transfer fraud and claims expense)	Deductible ranges from \$10,000 to \$50,000 with single limits coverage of \$2,500,000.
WCIA	1/1/2022 – 12/31/2022	Cyber Insurance	Limits \$1,000,000 per member with 10,000,000 aggregate pool policy limit subject to sub-limits. Deductible: \$50,000 per type of breach.

The net position for the Risk Fund as of 12/31/2022 is \$1.50 million. The amount of settlements did not exceed insurance coverage for the past three years.

The City's industrial insurance is provided by the Association of Washington Cities and is administered by the Workers' Comp Retro Program. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification. The following are benefits provided by industrial insurance: medical services, damaged clothing, travel expenses, time-loss payments, vocational rehabilitation, partial disability awards, pension awards and survivor benefits.

### **Cyber Security Program**

The City of Federal Way employs the following:

- Managed Endpoint Detection & Response service on all computer workstations and servers providing virus and malware protection, local firewall control, and USB device monitoring and control with 24/7 monitoring by a security operations center;
- Whole network "next generation" firewall for perimeter protection;
- Spam, malware, and targeted threat protection for all incoming and outgoing email.

The City has Cyber Liability Insurance of \$1 million with a \$50k deductible per type of breach. In 2022, the City hired a consultant to assist in a Backup and Disaster Recovery Project. The consultant performed a Business Impact Analysis, provided a Disaster Recovery Plan, and assisting with selecting a vendor to provide Backup and Disaster Recovery services.

In 2023, the City will implement a managed Backup and Disaster Recovery service with both local backup repositories and a cloud data backup. The City has also contracted with a cybersecurity vendor for vulnerability scanning, the creation of a Security Awareness Training program for all staff, and creation of Incident Response Plans. The City also has taken the National Cybersecurity Review (NCSR) to be eligible for and federal grant funding for cybersecurity.

### **NOTE 11 – LONG-TERM LIABILITIES**

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs. Ratings are issued on the bond at the time of issuance. The ratings issued on City bonds are shown on page 77.

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities or equipment. "Councilmanic Bonds" are general obligation bonds issued by City Council without voter approval. Under State law, repayment of these bonds must be financed from general City revenues because no additional property taxes can be levied to support related debt service payments. General Obligation bonds approved by the voters are typically repaid through an annual "excess" property tax levy authorized for this purpose by State statute. At year-end 2022 the City had no voter-approved bonds outstanding. All principal and interest payments on general obligation debts are recorded as expenditures by the City's Debt Service Fund.

- A) On November 17, 2017, the City issued \$6,000,000 of limited tax general obligation bond with an interest rate of 2.17 percent, maturity due date of 11/27/2037 which contained a mandatory tender option date of 11/17/2022. This loan was paid off this year in the amount of \$5,016,656, on 11/17/2022, City Council authorizing an interfund loan of \$4,861,704 for the debt service fund on Resolution 22-832.
- B) On March 4, 2013 the City issued \$12,415,000 of general obligation refunding bonds with an average interest rate of 2.67 percent to provide resources to purchase U.S. Government and State and Local Government Series security that were placed in an irrevocable trust for the purpose of generating resources to advance refund on \$12,310,000 of outstanding 2003 GO Federal Way Community Center debt on December 1, 2013. As a result the 2003 GO FWCC bonds are considered to be 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 twenty one years by \$2,322,943 and resulted in an economic gain of \$1,740,458. (Economic gain is the net present value of future savings between old and the new debt).
- C) On December 11, 2019, the City issued \$10,945,000 of limited tax general obligation bond with interest rates ranging from 2.75 percent to 5.00 percent, and a maturity due date of December 1, 2038. Proceeds were used to pay off the outstanding 2009 SCORE Bond of \$12,891,600. As a result, the 2009 SCORE Bond is considered defeased and the liability was removed from governmental activities column of statement of net position. This payoff was undertaken to reduce the total debt service payments over the next twenty years by \$2,309,077 and resulted in economic gain of \$1,992,140 (Economic gain is the present value of future savings between old and new debt).
- D) On December 11, 2019, the City issued \$4,840,000 of limited tax general obligation bond with interest rates ranging from 1.95 to 2.65 percent, and a maturity due date of December 1, 2029. Proceeds were used to pay for a portion of the Performing Arts and Events Center and to pay costs of issuing 2019-B Bonds. The outstanding debt at December 31, 2022 is \$3,500,000.

- E) On June 28, 2016 the City entered into a Contract Loan Guarantee with Housing Urban Development for development of the Federal Way Performing Arts and Events Center. This loan, referred to as Section 108 Loan is authorized up to \$3,030,000 with advances of \$3,030,000 with a variable rate of 3M LIBOR plus 20 basis points. Section 108 Loan contained a 20 year term with provisions to convert to a fixed rate loan at a future date. On March 28, 2019 the City converted Section 108 Loan to a fixed rate, ranging from 2.54 to 3.49 percent, and a maturity due date of August 1, 2035. The conversion resulted into an issuance of \$2,712,000 of U.S. Department of HUD Section 108 Government Guaranteed Participation Certificates, Series HUD 2019-A.
- F) The City in conjunction with several other South King County cities (Auburn, Burien, Renton, SeaTac, Tukwila,) agreed to build a facility to hold its inmates. The total bond in 2009 was \$86.325 million and the City of Federal Way's portion at that time was \$15.522 million. In 2019 the facility was able to use its excess revenue from excess space rented to non-member cities to pay the bond in 2019. The City Council decided to withdraw from the SCORE interlocal agreement on September 4<sup>th</sup>, 2018 effective on the year following the date of notice.

The following schedules detail the long-term debt activity and balances of the City for GO Bonds, SCORE Bond, and Section 108 HUD Loan, Compensated Absences, and Net Pension Liability. Typically, the city uses the governmental funds on pages 31 and 32 to liquidate the net pension liability, with the General Fund being the primary fund. Proprietary funds are used to liquidate proprietary net pension liability.

OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY TYPE DECEMBER 31, 2022									
Description	Bond Rating at Issuance	Issue Date	Maturity Date	Interest Rate	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed	Ending Outstanding Debt
<b>Governmental Activities:</b>									
<i>General Obligation Bonds:</i>									
A) 2017 Ltd Tax GO Bond <sup>1</sup>	-	Nov 17, 17	Nov 27, 37	2.17	\$ 6,000,000	\$ 5,016,656	\$ -	\$ 5,016,656	-
B) 2013 Refund Ltd/Community Center <sup>2</sup>	Aa3	Dec 01, 13	Dec 01, 33	2.67	12,415,000	8,300,000	-	575,000	7,725,000
C) 2019A LTGO Bond (SCORE) <sup>4</sup>	Aa2	Dec 11, 19	Dec 01, 38	2.75-5.00	10,945,000	10,175,000	-	410,000	9,765,000
D) 2019B LTGO Tax Bond (PAEC) <sup>5</sup>	Aa2	Dec 11, 19	Dec 01, 29	1.95-2.65	4,840,000	3,960,000	-	460,000	3,500,000
Subtotal GO Bonds:	-	-	-	-	34,200,000	27,451,656	-	6,461,656	20,990,000
<b>Other Miscellaneous Debt-Intergovernmental:</b>									
F) 2019-A Section 108 HUD CP <sup>3</sup>		Mar 28, 19	Aug 01, 35	2.54 - 3.49	2,712,000	2,235,000	-	159,000	2,076,000
Subtotal miscellaneous:	-	-	-	-	2,712,000	2,235,000	-	159,000	2,076,000
Subtotal GO Bonds plus Misc.					36,912,000	29,686,656	-	6,620,656	23,066,000
Compensated absences					-	2,403,882	2,740,824	2,554,284	2,590,422
Net Pension Liability (NPL) for Pers 1	-	-	-	-	-	1,273,735	1,523,100	-	2,796,835
Subtotal GO bonds, misc., comp. absences, & NPL	-	-	-	-	36,912,000	33,364,273	4,263,924	9,174,940	28,453,257
<b>Business-Type Activities:</b>									
Compensated absences	-	-	-	-	-	129,761	145,738	162,749	112,750
Net Pension Liability (NPL) for Pers 1	-	-	-	-	-	148,076	183,967	-	332,043
Subtotal PWTF, comp. absences, & NPL:	-	-	-	-	-	277,837	329,705	162,749	444,793
<b>Grand Total All Long-Term Debt:</b>	-	-	-	-	<b>\$ 36,912,000</b>	<b>\$ 33,642,110</b>	<b>\$ 4,593,629</b>	<b>\$ 9,337,689</b>	<b>\$28,898,050</b>

<sup>1</sup> On November 17, 2017 the City issued \$6,000,000 of Ltd Tax GO Bond with an interest rate of 2.17 percent, maturity date of 11/27/2037, however, the city took advantage of the mandatory tender option and paid the balance 11/17/2022 with Interfund Loan at 1.4% per approved Resolution 22-832. <sup>2</sup> The ending 2013 refunding Community bond discount is (\$54,139) with current year amortization of \$95,755 <sup>3</sup> Contract Loan 2016 Guarantee Assistance via HUD converted with variable rate to 2019-A HUD Certificate of Participation fixed rate. <sup>4</sup> The City has issued 2019A Bond to defease 2009 SCORE Bond. <sup>5</sup> The City has issued 2019B Bond to pay City for portion of PAEC construction on December 11, 2019. The ending 2019A & 2019B Bond premium is \$1,629,502, with current year amortization of \$43,706.

Description	Original Premium	Beginning Premium	Premium Amount	Premium Amount	Ending Outstanding
2013 Refund Ltd/Community Center 2	410,660	41,616	-	95,755	(54,139)
2019A & B LTGO Bond (SCORE/PAEC)	1,714,668	1,673,208	-	43,706	1,629,502
<b>Net GO Bond Premiums &amp; Discounts</b>	<b>2,125,328</b>	<b>1,714,824</b>	<b>-</b>	<b>139,461</b>	<b>1,575,363</b>

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES				
PERIOD ENDED DECEMBER 31, 2022				
	Beginning Outstanding Debt	Additions	Reductions	Ending Outstanding Debt
Governmental Activities:				
General Obligation Bonds	\$ 27,451,656	\$ -	\$ (6,461,656)	\$ 20,990,000
Other-intergovernmental debt	2,235,000	-	(159,000)	2,076,000
Compensated absences	2,403,882	2,740,824	(2,554,284)	2,590,422
Net Pension Liability (NPL) for Pers 1	1,273,735	1,523,100	-	2,796,835
Total Governmental Activities	33,364,273	4,263,924	(9,174,940)	28,453,257
Business-Type Activities:				
<i>Enterprise Funds</i>				
Compensated absences	129,761	145,738	(162,749)	112,750
Net Pension Liability (NPL) for Pers 1	148,076	183,967	-	332,043
Total Business-Type Activities	277,837	329,705	(162,749)	444,793
<b>Total All Funds</b>	<b>\$ 33,642,110</b>	<b>\$ 4,593,629</b>	<b>\$ (9,337,689)</b>	<b>\$ 28,898,050</b>

OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY FUND						
DECEMBER 31, 2022						
Description	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed	Ending Outstanding Debt	Due within one year
Governmental Long-Term Debt:						
General Obligation Bonds:						
A) 2017 Ltd Tax GO Bond <sup>1</sup>	\$ 6,000,000	\$ 5,016,656	\$ -	\$ 5,016,656	\$ 0	\$ -
B) 2013 Refund Ltd/Community Center <sup>2</sup>	12,415,000	8,300,000	-	575,000	7,725,000	600,000
C) 2019A LTGO Bond (SCORE) <sup>4</sup>	10,945,000	10,175,000	-	410,000	9,765,000	430,000
D) 2019B LTGO Tax Bond (PAEC) <sup>5</sup>	4,840,000	3,960,000	-	460,000	3,500,000	465,000
Subtotal GO Bonds:	34,200,000	27,451,656	-	6,461,656	20,990,000	1,495,000
Other Miscellaneous Debt-Intergovernmental:						
F) 2019-A Section 108 HUD CP <sup>3</sup>	2,712,000	2,235,000	-	159,000	2,076,000	159,000
Subtotal miscellaneous:	2,712,000	2,235,000	-	159,000	2,076,000	159,000
Subtotal GO Bonds plus Misc.	36,912,000	29,686,656	-	6,620,656	23,066,000	1,654,000
Compensated absences	-	2,403,882	2,740,824	2,554,284	2,590,422	198,411
Net Pension Liability (NPL) for Pers 1	-	1,273,735	1,523,100	-	2,796,835	na
Subtotal GO bonds, misc., comp. absences, & NPL:	36,912,000	33,364,273	4,263,924	9,174,940	28,453,257	1,852,411
Business-Type Activities:						
<i>Enterprise Funds:</i>						
Compensated absences	-	129,761	145,738	162,749	112,750	16,478
Net Pension Liability (NPL) for Pers 1	-	148,076	183,967	-	332,043	na
Subtotal PWTFL, comp. absences, & NPL:	-	277,837	329,705	162,749	444,793	16,478
<b>Grant Total All Long-Term Debt:</b>	<b>\$ 36,912,000</b>	<b>\$ 33,642,110</b>	<b>\$ 4,593,629</b>	<b>\$ 9,337,689</b>	<b>\$ 28,898,050</b>	<b>\$ 1,868,889</b>

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2022					
Year	Government Activities General Governmental Debt		Grand Total		
	Principal	Interest	Principal	Interest	P&I
2023	1,654,000	792,368	1,654,000	792,368	2,446,368
2024	1,704,000	742,458	1,704,000	742,458	2,446,458
2025	1,754,000	690,541	1,754,000	690,541	2,444,541
2026	1,804,000	635,542	1,804,000	635,542	2,439,542
2027	1,860,000	577,995	1,860,000	577,995	2,437,995
2028-2032	8,545,000	1,943,913	8,545,000	1,943,913	10,488,913
2033-2037	4,935,000	630,724	4,935,000	630,724	5,565,724
2038-2042	810,000	23,250	810,000	23,250	833,250
<b>Total</b>	<b>\$ 23,066,000</b>	<b>\$ 6,036,790</b>	<b>\$ 23,066,000</b>	<b>\$ 6,036,790</b>	<b>\$ 29,102,790</b>

### Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a City may incur general obligation debt for general city purposes in an amount not to exceed 2½ percent of the value of all taxable property within the City. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last State general election and of those voting; 60 percent must be in the affirmative. The City Council may, by ordinance, authorize the issuance of limited tax general obligation debt in an amount up to 1.5% of the valuation within the City without a vote of the people. No combination of limited or unlimited tax debt may exceed 7½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected with the City's councilmanic levy. See page 145 for a detailed calculation of the valuation.

The City's legally remaining debt capacities as of December 31, 2022 are:

Computation of Limitation of Indebtedness	2022
General government (no vote required)	\$ 234,570,243
General government (3/5 majority vote required)	171,528,456
Parks and open space (3/5 majority vote required)	428,821,139
Utilities (3/5 majority vote required)	428,821,139
<b>Total Capacity</b>	<b>\$ 1,263,740,977</b>

### Compensated Absences

The City's liability for accrued vacation and compensatory time balances is recorded in the schedule below. Accrued compensated absences for proprietary fund employees are recorded as liabilities in those funds expected to incur the related future expense. Typically the General Fund has been used to liquidate compensated absences for the General Government.

Compensated Absences	2022
<b>Governmental Activities:</b>	
Current portion	\$ 198,411
Noncurrent portion	2,392,011
<b>Business-Type Activities:</b>	
Current portion	16,478
Noncurrent portion	96,272
<b>Total Compensated absences</b>	<b>\$ 2,703,172</b>

**Estimated Arbitrage Rebate**

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over \$5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's has no estimated rebatable arbitrage amount as of December 31, 2022 for its tax-exempt general obligation bond issues subject to the Tax Reform Act issued through that date. No arbitrage applies to any of City of Federal Way bonds.

**NOTE 12 – INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2022 were as follows:

<b>Interfund Transfers</b>	<b>In</b>	<b>Out</b>
<b>Governmental Funds:</b>		
General Fund	\$ 9,062,631	\$ 4,444,145
Street Fund	2,703,685	-
Utility Tax Fund	-	9,837,985
Debt Service	2,539,426	-
Performing Arts & Event Center Operations	941,464	-
Transportation	3,143,014	240,079
Nonmajor Governmental Funds	2,154,696	6,725,440
<b>Proprietary Funds:</b>		
Surface Water Management	119,362	81,049
Dumas Bay Centre	464,959	-
Internal Service Funds	199,461	-
<b>Total:</b>	<b>\$21,328,698</b>	<b>\$21,328,698</b>

The following describes the amounts transferred out during 2022:

**General Fund:**

- \$2,452,681 to Street Fund to fund street maintenance and operations.
- \$941,464 to Performing Art & Event Center to fund operating the facility for public use.
- \$750,000 to Federal Way Community Center to fund operating the facility for public use.
- \$300,000 to Dumas Bay Centre to fund operating the facility for public use.

**Utility Tax Fund:**

- \$9,062,631 to General Fund for operation support of city departments.
- \$313,227 to Federal Way Community Center to fund operating the facility for public use.
- \$251,004 to Street Fund to fund street maintenance and operations.
- \$164,959 to Dumas Bay Centre to fund operating the facility for public use.
- \$46,164 to Traffic Safety Fund for traffic safety officers and support of traffic safety in the city.

**Transportation CIP Fund:**

- \$119,362 to SWM CIP Fund due to closing a transportation project that had a SWM allocation.
- \$118,412 to Risk Fund due to closing a project that had Risk Fund allocation.
- \$2,305 to Hotel/Motel Lodging Fund due to closing a project that had a Lodging tax allocation.

**Non-major Funds:**

- \$2,552,014 from Real Estate Excise Tax (REET) Fund to Transportation CIP fund for Street Light LED Conversion project.
- \$2,424,426 from Real Estate Excise Tax (REET) Fund to Debt Service Fund for debt payments.
- \$1,013,000 from Real Estate Excise Tax (REET) Fund to Arterial Street Fund for street overlay.
- \$405,000 from LIFT Funding to Transportation CIP Fund for 21<sup>st</sup> Ave S at S320th St Traffic Signal and Citywide ADA Retrofits projects.
- \$186,000 from Arterial Street Fund to Transportation CIP Fund for construction project S 348<sup>th</sup> Preservation.
- \$115,000 from City Facilities Fund to Debt Service Fund for debt payments.
- \$30,000 from Paths & Trails Fund to Parks CIP Fund for Major Maintenance & Improvements to Existing Park Facilities projects.

**Surface Water Manage Fund:**

- \$81,049 to Fleet & Equipment Fund for purchase of SWM vehicles and equipment.

Interfund loans for the year ended December 31, 2022 were as follows:

<b>Interfund Loans</b>	<b>Receivable</b>	<b>Payable</b>
General Fund	\$ 184,788	\$ -
Special Revenue Funds:		
Community Development Block Grant	-	184,788
Debt Service Funds:		
Debt Fund-Target Prop	-	4,861,704
Internal Service Funds:		
Fleet & Equipment Fund	4,861,704	-
<b>Total Interfund Loans</b>	<b>\$ 5,046,492</b>	<b>\$ 5,046,492</b>

#### **NOTE 13 – CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND LITIGATION**

As of December 31, 2022, there were minimal minor claims for damages and 6 lawsuits pending against the City. With one exception noted below, in the opinion of the City Attorney, none of these lawsuits or claims exposes the City to potential liability, either singly or in the aggregate, that materially affect the financial condition of the City. One exception to this statement is a claim for \$10,777,440 filed by a contractor, Graham Construction, Inc., in relation to Phase 5 of the Pacific Highway improvement project. The City prevailed on a motion for summary judgement for all major causes of action alleged by Graham Construction and the matter is currently pending review in Division I of the Court of Appeals.

#### **NOTE 14 – JOINT VENTURES**

##### **Valley Communication Center**

The “Valley Communications Center” was established August 20, 1976, when an interlocal agreement was entered into by the four original participating municipal corporations, including the cities of Renton, Kent, Auburn, and Tukwila. Federal Way joined by interlocal agreement in 2000. The agreement is sanctioned by the provisions and terms of the Interlocal Cooperation Act pursuant to RCW 39.34. The initial duration of the agreement was five years, and thereafter was automatically extended for a consecutive five year-period.

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to several subscribing agencies, which include King County Fire Districts 2, 20, 26, 40, 43, 44, and 47; City of Pacific Police and Fire Departments, City of Algona Police Department, City of Des Moines Police Department, City of Black Diamond Police and Fire Department; SeaTac Fire Department; North Highline Fire Department; King County EMS Units; and Vashon Island Fire Department. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

The basis for allocation of prorated financial participation among the member cities is the percentage of dispatched calls attributed to each jurisdiction of the total dispatched calls, for the current twelve-month period ending December 31. The percentages are applied to the current approved budget, less revenue from all other sources. Distribution of the current year net income is based on the same percentages. The 2022 cost distributions for the member cities are as follows:

<b>City</b>	<b>Dispatchable Calls</b>	<b>Percent of Total</b>
Kent	108,844	27.15%
Renton	83,514	20.83%
Auburn	81,977	20.45%
Tukwila	38,968	9.72%
Federal Way	87,562	21.84%
<b>Total</b>	<b>400,865</b>	<b>100.00%</b>

Valley Com is governed by an Administration Board, composed of the Mayors or designated representatives from the five participating cities of Renton, Kent, Auburn, Tukwila, and Federal Way. The Administration Board is authorized to establish bylaws that govern procedures of the Board and Valley Com’s general operations for the following functions: 1) Budget review and recommendations to the legislative bodies of the member cities, and budget adoption after each legislative body has



approved the required financial participation for the ensuing year; 2) Approve appointment and/or discharge of the Director; 3) Approve personnel policy and make final decisions on all major policy changes; and 4) Review and approves all contracts.

In addition, an Operating Board was established and consists of two members of each participating City's Public Safety Departments, including the heads of such departments or their designees. The Operating Board performs the following functions: 1) Oversees the general operation of Valley Com, and advises and makes recommendations to the Administration Board; 2) Make recommendations on Director selection; 3) Presents proposed policies and budgets to the Administration Board; and 4) Reviews disbursements of funds by the Director.

The Director presents a proposed budget to the Operating Board on or before August 15 of each year. Said budget is then presented to the Administrative Board by September 1 of each year. The Administration Board can make changes to the proposed Valley Com budget as it finds necessary, but final approval falls to the legislative body of each member city, in accordance with the provisions of the interlocal agreement.

In May 1993 Valley Com entered into an agreement with King County to provide joint project management for the acquisition and installation of 800-MHz emergency radio communications system approved by the voters of King County in conjunction with a \$57 million levy. In August 1993 Valley Com also entered into an Interlocal Cooperation Agreement with the sub-regions of King County, Seattle, and Eastside Public Safety Communications, which governs the development and installation of the new 800-MHz emergency radio system. Valley Com now provides emergency communication dispatch services to a population of approximately 570,000.

Valley Com operates as an enterprise fund and is totally self-supporting through the implementation of user fees, and the primary source of revenue is provided by charges for calls for service. The 800-MHz emergency radio communications system operated by the agreement with King County is operated as a separate enterprise fund, and the Member Cities have no equity interest in the contributed capital from this system.

The share of equity belonging to the five participating cities is shown below. Liabilities are the responsibility of the five participating cities in direct proportion to their equity position.

	Balances in 2022					
	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Equity @ January 1, 2022	\$ 10,901,976	\$ 8,105,020	\$ 8,338,705	\$ 3,878,636	\$ 7,095,885	\$ 38,320,222
Current year increase	672,154	515,732	506,240	240,643	540,727	2,475,496
Equity @ December 31, 2022	\$ 11,574,130	\$ 8,620,752	\$ 8,844,945	\$ 4,119,279	\$ 7,636,612	\$ 40,795,718
Percent of equity	28.37%	21.13%	21.68%	10.10%	18.72%	100.00%
Prior year's percent of equity	28.45%	21.15%	21.76%	10.12%	18.52%	100.00%

A complete set of financial statements is available from:  
Valley Communications Center, 27519 108<sup>th</sup> Avenue SE, Kent, WA 98030.

#### **Joint Venture Reconciliation to Government Wide Financial Statements**

	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022
Valley Communications Center	7,095,885	540,727	-	7,636,612
<b>Total Joint Venture Capital Assets</b>	<b>7,095,885</b>	<b>540,727</b>	<b>-</b>	<b>7,636,612</b>
<b>Total Investment in Joint Ventures</b>	<b>\$ 7,095,885</b>	<b>\$ 540,727</b>	<b>\$ -</b>	<b>\$ 7,636,612</b>



## NOTE 15 – PRIOR PERIOD ADJUSTMENTS

## Adjustments in the Funds

- A prior period adjustment in the General Fund in the amount of \$894,533 is due to \$837,573 adjustment for seizure funds moved back to General Fund from Custodial Fund, because seizure funds are not custodial in nature; \$36,583 correction to general recreation revenues due to adjustments of accounts receivable, and unearned revenue balances; and \$20,377 correction to deferred inflow due to adjustments of revenue recognition for charge for goods and services, and miscellaneous revenue.
- A prior period adjustment in the Street Fund in the amount of \$79,661 is due to a correction to deferred inflow due to adjustments of revenue recognition for licenses and permits, and charge for goods and services.
- A prior period adjustment in the Performing Arts & Event Center Operations Fund in the amount of \$6,239,600 for notes receivable is due to long term notes receivable from public benefit corporation QALICB.
- A prior period adjustment in the Federal Way Community Center Fund in the amount of \$123,505 is due to a correction to Federal Way Community Center revenues due to adjustments of accounts receivable, and unearned revenue balances.
- A prior period adjustment in the Dumas Bay Centre Fund in the amount of \$71,087 is due to a correction to Dumas Bay Centre revenues due to adjustments of accounts receivable, and unearned revenue balances.

## Government-wide adjustments

Governmental-type capital asset activity prior period adjustment of \$1,151,818 for Construction in progress is due to \$78,601 being incorrectly classified as governmental-type activity, and should have been business-type activity, and \$1,073,217 for projects that stopped construction in prior years and projects that were maintenance not capital, and therefore not subject to capitalization. In addition, a \$27,912,264 adjustment for buildings is due to write-off of the Federal Way Performing Arts and Event Center and associated accumulated depreciation from capital assets.

Governmental Activity	Beg. Bal 1/1/2022	Prior Period Adjustment	Adj. Beg. Balance	Additions	Deletions	Ending Bal. 12/31/2022
Capital assets, not being depreciated:						
Land	\$ 283,719,508	\$ -	\$ 283,719,508	\$ -	\$ -	\$ 283,719,508
Construction in progress	15,415,214	(1,151,818)	14,263,396	5,213,230	(1,657,639)	17,818,987
<b>Total capital assets, not being depreciated:</b>	<b>299,134,722</b>	<b>(1,151,818)</b>	<b>297,982,905</b>	<b>5,213,230</b>	<b>(1,657,639)</b>	<b>301,538,496</b>
Capital assets, being depreciated						
Buildings	72,753,564	(32,837,958)	39,915,606	-	(9,093)	39,906,513
Leases Buildings	9,769,841	-	9,769,841	-	-	9,769,841
Improvements other than buildings	28,850,532	-	28,850,532	-	-	28,850,532
Infrastructure	204,055,155	-	204,055,155	1,657,639	-	205,712,794
Machinery and equipment	23,331,610	-	23,331,610	2,982,068	(1,060,081)	25,253,597
<b>Total capital assets, being depreciated:</b>	<b>338,760,702</b>	<b>(32,837,958)</b>	<b>305,922,744</b>	<b>4,639,707</b>	<b>(1,069,174)</b>	<b>309,493,277</b>
Less accumulated depreciation for:						
Buildings	(33,412,685)	4,925,694	(28,486,991)	(1,904,894)	9,093	(30,382,792)
Leases Buildings	-	-	-	(454,517)	-	(454,517)
Improvements other than buildings	(21,371,642)	-	(21,371,642)	(651,496)	-	(22,023,138)
Infrastructure	(90,151,876)	-	(90,151,876)	(4,740,445)	-	(94,892,321)
Machinery and equipment	(15,001,319)	-	(15,001,319)	(1,691,222)	1,016,783	(15,675,758)
Total accumulated depreciation:	(159,937,522)	4,925,694	(155,011,828)	(9,442,574)	1,025,876	(163,428,525)
<b>Total assets being depreciated, net</b>	<b>178,823,180</b>	<b>(27,912,264)</b>	<b>150,910,916</b>	<b>(4,802,867)</b>	<b>(43,298)</b>	<b>146,064,752</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 477,957,903</b>	<b>\$ (29,064,082)</b>	<b>\$ 448,893,821</b>	<b>\$ 410,363</b>	<b>\$ (1,700,937)</b>	<b>\$ 447,603,247</b>

Business-type capital asset activity prior period adjustment of \$41,120 for Construction in progress is due to \$41,120 being incorrectly classified as governmental-type activity.

Business-Type Activities	Beg. Bal 1/1/2022	Prior Period Adjustment	Adj. Beg. Balance	Additions	Deletions	Ending Bal. 12/31/2022
Capital assets, not being depreciated:						
Land	\$11,340,293	\$ -	\$11,340,293	\$ -	\$ -	\$11,340,293
Construction in progress	215,248	41,120	256,368	22,612	(78,601)	200,379
<b>Total capital assets, not being depreciated:</b>	<b>11,555,541</b>	<b>41,120</b>	<b>11,596,661</b>	<b>22,612</b>	<b>(78,601)</b>	<b>11,540,672</b>
Capital assets, being depreciated						
Buildings	4,514,313	-	4,514,313	-	-	4,514,313
Improvements other than buildings	4,229,931	-	4,229,931	-	-	4,229,931
Infrastructure	68,552,996	-	68,552,996	78,601	-	68,631,597
Machinery and equipment	214,634	-	214,634	-	-	214,634
<b>Total capital assets, being depreciated:</b>	<b>77,511,873</b>	<b>-</b>	<b>77,511,873</b>	<b>78,601</b>	<b>-</b>	<b>77,590,474</b>
Less accumulated depreciation for:						
Buildings	(3,821,240)	-	(3,821,240)	(48,308)	-	(3,869,548)
Improvements other than buildings	(443,634)	-	(443,634)	(42,299)	-	(485,933)
Infrastructure	(18,251,166)	-	(18,251,166)	(685,530)	-	(18,936,696)
Machinery and equipment	(143,745)	-	(143,745)	(7,360)	-	(151,105)
Total accumulated depreciation:	(22,659,785)	-	(22,659,785)	(783,497)	-	(23,443,282)
<b>Total assets being depreciated, net</b>	<b>54,852,088</b>	<b>-</b>	<b>54,852,088</b>	<b>(704,896)</b>	<b>-</b>	<b>54,147,192</b>
<b>Business Type activities capital assets, net</b>	<b>\$ 66,407,629</b>	<b>\$ 41,120</b>	<b>\$ 66,448,749</b>	<b>\$ (682,284)</b>	<b>\$ (78,601)</b>	<b>\$ 65,687,864</b>

#### NOTE 16 – LEASES

The city recognizes lease liabilities with an initial, individual value of \$5,000 or more. This is in alignment with the city's capitalization threshold. The city measures the lease liability at the present value of payments expected to be made during the lease term.

The interest rate charged by the lessor is not provided, and therefore the city is using its incremental borrowing rate as the discount rate for leases. The city used a 2.55% LOCAL program borrowing rate from the Washington State Treasurer.

The city has five building leases:

- **QALICB PAEC Lease** – A lease from public benefit non-profit Federal Way Performing Arts and Event Center QALICB to the City of Federal Way for use of the Performing Arts and Event Center. Payments are made quarterly based on a lease schedule.
- **Parks Trailer Lease** – This is for leasing 3 parks trailers for parks employee office space. Payments are made monthly. Removal costs that are in the contract and paid the lessor are included in the lease liability, and therefore are included in the present value calculation.
- **Police Substation Leases** – The city has two Police substation leases. Payments are made monthly.
- **Wi-Fi Site Lease** – The city has one Wi-Fi site lease. Payments are made monthly.

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

TOTAL LEASE SCHEDULE (LESSEES)												
As of December 31, 2022												
	QualicB PAEC Lease		Parks Trailer Lease		Police Substation Lease #1		Police Substation Lease #2		WiFi Site Lease		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 115,480	\$ 242,620	\$ 19,578	\$ 708	\$ 7,654	\$ 206	\$ 39,250	\$ 2,750	\$ 3,690	\$ 462	\$ 185,652	\$ 246,746
2023	125,682	239,578	25,814	320	3,901	29	42,691	1,709	3,785	367	201,873	242,003
2024	165,288	235,996	-	-	-	-	43,793	607	3,883	269	212,963	236,873
2025	207,217	231,383	-	-	-	-	-	-	3,983	169	211,200	231,552
2026	221,409	225,964	-	-	-	-	-	-	4,475	62	225,883	226,026
2027-2031	236,143	220,177	-	-	-	-	-	-	-	-	236,143	220,177
2032-2036	1,421,951	1,000,245	-	-	-	-	-	-	-	-	1,421,951	1,000,245
2037-2041	1,882,368	791,936	-	-	-	-	-	-	-	-	1,882,368	791,936
2042-2046	2,433,039	519,605	-	-	-	-	-	-	-	-	2,433,039	519,605
2047-2051	2,748,993	171,933	-	-	-	-	-	-	-	-	2,748,993	171,933
<b>Total</b>	<b>\$9,557,570</b>	<b>\$3,879,436</b>	<b>\$ 45,391</b>	<b>\$ 1,029</b>	<b>\$ 11,555</b>	<b>\$ 235</b>	<b>\$ 125,734</b>	<b>\$ 5,066</b>	<b>\$ 19,814</b>	<b>\$ 1,331</b>	<b>\$9,760,065</b>	<b>\$3,887,096</b>

As of December 31, 2022 the lease capital assets net of accumulated amortization are listed below:

Capital assets below are increased by \$9,776 from the \$9,760,065 principal amount above due to adding delivery and installation costs associated with getting the Parks Trailer Lease asset into service.

<b>LEASE CAPITAL ASSETS AS OF DECEMBER 31, 2022</b>				
<b>Governmental Activity</b>	<b>Beginning Balance 1/1/2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 12/31/2022</b>
Capital assets, being depreciated:				
Leases Buildings	9,769,841		-	9,769,841
<b>Total capital assets, being amortized:</b>	<b>9,769,841</b>	<b>-</b>	<b>-</b>	<b>9,769,841</b>
Less accumulated depreciation for:				
Leases Buildings	-	(454,517)	-	(454,517)
<b>Total accumulated amortization:</b>	<b>-</b>	<b>(454,517)</b>	<b>-</b>	<b>(454,517)</b>
<b>Total assets being amortized, net</b>	<b>9,769,841</b>	<b>(454,517)</b>	<b>-</b>	<b>9,315,324</b>

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

The city has seven leases:

- **Cell Tower Leases** - The city has five cell tower leases where the company is leasing city owned space to install or use wireless communications equipment. Three cell tower leases increase by 3% per year, and two increase by 4% per year. General Fund lease revenue received in 2022 is \$205,866.
- **Brooklake Lease** - This is a non-profit lease of Brooklake city owned building. The city receives rent of \$1,329.32. The regular rental rate for this property is \$2,300. In exchange of a reduced rent, the lessee performs 20 hours a week of maintenance services. General Fund lease revenue received in 2022 is \$26,405.
- **Other Private Business Lease** - The city leases landscaping signs, and existing parking facility to a private business within the City of Federal Way for use. The rent is increased each year throughout the term of the lease by the amount of inflation determined by the CPI-Washington for the month of June. Street Fund lease revenue received in 2022 is \$4,430.

In 2022, the city had three variable cell tower leases totaling payments of \$120,197.04, two variable parks concession leases totaling payments of \$6,534.72, and one centerstage theatre contract totaling payments of \$7,500.

<b>TOTAL LEASE SCHEDULE (LESSORS)</b>						
<b>As of December 31, 2022</b>						
	<b>Cell Tower (5 leases)</b>		<b>Other Leases</b>		<b>Total</b>	
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 140,163	\$ 60,278	\$ 29,300	\$ 2,794	\$ 169,463	\$ 63,071
2023	150,715	56,581	30,527	2,039	181,243	58,620
2024	161,782	52,609	31,314	1,252	193,096	53,861
2025	173,385	48,349	15,917	549	189,302	48,897
2026	168,246	43,857	4,605	361	172,850	44,218
2027-2031	620,575	169,540	9,564	367	630,140	169,907
2032-2036	810,630	80,932	-	-	810,630	80,932
2037-2041	202,289	4,580	-	-	202,289	4,580
<b>Total</b>	<b>\$ 2,427,786</b>	<b>\$ 516,725</b>	<b>\$ 121,227</b>	<b>\$ 7,362</b>	<b>\$ 2,549,013</b>	<b>\$ 524,087</b>

**NOTE 17 – SELF-INSURANCE**

The City elected to be self-insured for unemployment compensation. Related premiums are received into the Unemployment Insurance Fund and are used to reimburse the State Employment Security Department for unemployment benefits paid to eligible individuals, and are used to establish reserves for the payment of estimated future unemployment claims liability. At December 31<sup>st</sup>, 2022 the City had \$247,755 in reserve.

<b>Unemployment compensation benefits</b>	<b>2021</b>	<b>2022</b>
Unemployment reserve, Jan. 1st	\$ 275,397	\$ 315,846
Unemployment compensation transfer in	100,000	-
Unemployment compensation interest	76	(3,971)
Claim payments during the year	(59,626)	(64,120)
<b>Unemployment reserve, Dec. 31st</b>	<b>\$ 315,846</b>	<b>\$ 247,755</b>

The City also elected to self-insure for medical and pharmacy insurance. Related premiums are received into the Health Insurance Fund and are used to reimburse weekly claims to Group Health Corporation for medical and pharmacy benefits paid on behalf of eligible individuals. The Health Insurance Fund has established reserves for the payment of estimated future medical benefits claims liability. At December 31<sup>st</sup>, 2022 the City had \$3,608,096 in reserve.

<b>Health Insurance benefits</b>	<b>2021</b>	<b>2022</b>
Health Insurance reserve, Jan. 1st	\$ 3,189,939	\$ 3,770,611
Health Insurance benefits	4,565,611	4,816,096
Health Insurance COBRA Contributions	61,479	70,627
Health Insurance interest	901	(47,882)
Health Insurance Recovery-Stop Loss	106,090	2,874
Medical Claim payments during the year	(2,255,859)	(2,980,738)
Insurance-Stop Loss	(793,400)	(803,580)
Other services and charges	(609,312)	(655,124)
<b>Health Insurance reserve, Dec. 31st</b>	<b>\$ 3,770,611</b>	<b>\$ 3,608,096</b>

**NOTE 18 – ACCOUNTING AND REPORTING CHANGES**

The City of Federal Way implemented Lease accounting in conformance with Governmental Accounting Standards Board (GASB) Statement 87. Lease accounting for state and local governments is based on the principle that leases are financings of the ‘right to use’ an underlying nonfinancial asset. A lease is a contract that conveys control of the ‘right to use’ another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange-like transaction. If any contract meets the definition of a lease, the government should follow the lease accounting rules for a lessor or lessee, as appropriate. The implementation applies to new lease agreements, and also retroactively, to existing agreements. The financial impact of the implementation is described in Note 16 on Leases.

# **REQUIRED SUPPLEMENTARY INFORMATION**

City of Federal Way									
Schedule of Proportionate Share of the Net Pension Liability									
PERS 1									
As of June 30, 2022									
Last 10 Fiscal Years*									
		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.110831%	0.114008%	0.114547%	0.115857%	0.113856%	0.109137%	0.116424%	0.011237%
Employer's proportionate share of the net pension liability (asset)	\$	5,797,492	6,122,767	5,435,344	5,174,213	4,378,167	3,853,125	1,421,809	3,128,877
<b>TOTAL</b>	<b>\$</b>	<b>5,797,492</b>	<b>6,122,767</b>	<b>5,435,344</b>	<b>5,174,213</b>	<b>4,378,167</b>	<b>3,853,125</b>	<b>1,421,809</b>	<b>3,128,877</b>
Covered payroll	\$	12,744,440	13,650,352	14,496,336	15,317,923	15,564,017	16,370,986	17,077,262	18,550,743
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	45.49%	44.85%	37.49%	33.78%	28.13%	23.54%	8.33%	16.87%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%
<b>Notes to Schedule:</b>									
* Employer's covered payroll increased by \$1.5M, and net pension liability increased by \$1.71 million. Additional years information will be displayed as it becomes available.									

City of Federal Way									
Schedule of Proportionate Share of the Net Pension Liability									
PERS 2 - 3									
As of June 30, 2022									
Last 10 Fiscal Years*									
		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.143122%	0.146079%	0.147025%	0.146710%	0.144555%	0.139751%	0.147557%	0.146668%
Employer's proportionate share of the net pension liability (asset)	\$	5,113,831	7,354,962	5,108,416	2,504,943	1,404,121	1,787,336	(14,699,051)	(5,439,595)
<b>TOTAL</b>	<b>\$</b>	<b>5,113,831</b>	<b>7,354,962</b>	<b>5,108,416</b>	<b>2,504,943</b>	<b>1,404,121</b>	<b>1,787,336</b>	<b>(14,699,051)</b>	<b>(5,439,595)</b>
Covered payroll	\$	12,744,440	13,650,352	14,496,336	15,317,923	15,564,017	16,370,986	17,077,262	18,550,743
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	40.13%	53.88%	35.24%	16.35%	9.02%	10.92%	-86.07%	-29.32%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%
<b>Notes to Schedule:</b>									
* Employer's covered payroll increased by \$1.53M, and net pension asset decreased by \$9.26 million. Additional years information will be displayed as it becomes available.									

City of Federal Way									
Schedule of Proportionate Share of the Net Pension Liability									
PSERS									
As of June 30, 2022									
Last 10 Fiscal Years*									
		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.005360%
Employer's proportionate share of the net pension liability (asset)	\$	-	-	-	-	-	-	-	(3,832)
<b>TOTAL</b>	<b>\$</b>	-	-	-	-	-	-	-	<b>(3,832)</b>
Covered payroll	\$	-	-	-	-	-	-	-	54,884
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-6.98%
Plan fiduciary net position as a percentage of the total pension liability	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	123.67%
<b>Notes to Schedule:</b>									
* Employer's covered payroll was \$54,884 for 2022. This is the first year for this plan for the City of Federal Way. Additional years information will be disclosed as it becomes available.									

City of Federal Way									
Schedule of Proportionate Share of the Net Pension Liability (Asset)									
LEOFF 2									
As of June 30, 2021									
Last 10 Fiscal Years*									
		2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.427847%	0.415772%	0.434711%	0.397656%	0.393513%	0.374980%	0.382521%	0.382521%
Employer's proportionate share of the net pension liability (asset)	\$	(4,397,411)	(2,418,255)	(6,032,380)	(8,073,284)	(9,116,488)	(7,649,045)	(22,218,403)	(10,599,294)
LEOFF 2 - State's proportionate share of the net pension liability (asset) associated with the employer	\$	(2,907,569)	(1,576,526)	(3,913,092)	(5,227,229)	(5,970,078)	(4,890,984)	(14,333,296)	(6,865,992)
<b>TOTAL</b>	<b>\$</b>	<b>(7,304,980)</b>	<b>(3,994,781)</b>	<b>(9,945,472)</b>	<b>(13,300,513)</b>	<b>(15,086,566)</b>	<b>(12,540,029)</b>	<b>(36,551,699)</b>	<b>(17,465,286)</b>
Covered payroll	\$	12,477,707	12,625,740	13,610,662	13,157,989	13,865,920	14,177,786	14,265,168	15,770,361
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-35.24%	-19.15%	-44.32%	-61.36%	-65.75%	-53.95%	-155.75%	-67.21%
Plan fiduciary net position as a percentage of the total pension liability	%	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%	116.09%
<b>Notes to Schedule:</b>									
* Employer's covered payroll increased by \$312K and net pension asset decreased by \$1.5M. Additional years information will be displayed as it becomes available.									

City of Federal Way									
Schedule of Employer Contributions									
PERS 1									
As of December 31, 2022									
Last 10 Fiscal Years*									
	2015	2016	2017	2018	2019	2020	2021	2022	
Statutorily or contractually required contributions	\$	584,359	663,133	745,500	792,384	811,218	797,876	768,068	720,873
Contributions in relation to the statutorily or contractually required contributions	\$	(584,359)	(663,133)	(745,500)	(792,384)	(811,218)	(797,876)	(768,068)	(720,873)
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-	-
Covered Payroll	\$	13,309,318	13,887,684	15,134,713	15,255,177	16,208,573	16,459,407	17,920,352	19,000,094
Contributions as a percentage of covered payroll	%	4.39%	4.77%	4.93%	5.19%	5.00%	4.85%	4.29%	3.79%
Notes to Schedule:									
* Employer's covered payroll increased by \$1.08M. Additional years information will be displayed as it becomes available.									

City of Federal Way									
Schedule of Employer Contributions									
PERS 2-3									
As of December 31, 2022									
Last 10 Fiscal Years*									
		2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	\$	750,485	866,073	1,034,441	1,154,906	1,247,242	1,295,038	1,272,328	1,212,426
Contributions in relation to the statutorily or contractually required contributions	\$	(750,485)	(866,073)	(1,034,441)	(1,154,906)	(1,247,242)	(1,295,038)	(1,272,328)	(1,212,426)
<b>Contribution deficiency (excess)</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Covered Payroll	\$	13,309,318	13,887,684	15,134,713	15,255,177	16,208,573	16,459,407	17,920,352	19,000,094
Contributions as a percentage of covered payroll	%	5.64%	6.24%	6.83%	7.57%	7.69%	7.87%	7.10%	6.38%
<b>Notes to Schedule:</b>									
* Employer's covered payroll increased by \$1.08M. Additional years information will be displayed as it becomes available.									

City of Federal Way									
Schedule of Employer Contributions									
LEOFF 2									
As of December 31, 2022									
Last 10 Fiscal Years*									
	2015	2016	2017	2018	2019	2020	2021	2022	
Statutorily or contractually required contributions	\$	625,331	669,609	688,577	702,132	735,539	721,881	761,787	839,699
Contributions in relation to the statutorily or contractually required contributions	\$	(625,331)	(669,609)	(688,577)	(702,132)	(735,539)	(721,881)	(761,787)	(839,699)
<b>Contribution deficiency (excess)</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Covered Payroll	\$	12,382,722	13,274,725	13,365,190	13,373,925	14,142,286	14,018,688	14,834,518	16,403,418
Contributions as a percentage of covered payroll	%	5.05%	5.04%	5.15%	5.25%	5.20%	5.15%	5.14%	5.12%
<b>Notes to Schedule:</b>									
* Employer's covered payroll increase by \$1.57M. Additional years information will be displayed as it becomes available.									

City of Federal Way								
Schedule of Employer Contributions								
PSERS								
As of December 31, 2022								
Last 10 Fiscal Years*								
	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	\$	-	-	-	-	-	-	9,215
Contributions in relation to the statutorily or contractually required contributions	\$	-	-	-	-	-	-	(9,215)
<b>Contribution deficiency (excess)</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Covered Payroll	\$	-	-	-	-	-	-	208,392
Contributions as a percentage of covered payroll	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.42%

**Notes to Schedule:**  
 \* Employer's covered payroll was \$0.21M. Additional years information will be displayed as it becomes available.



## Combining Statement – Nonmajor Governmental Funds’ Description For the Year Ended December 31, 2022

### **Special Revenue Funds**

Special Revenue funds are used to account for the proceeds of revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The **Arterial Street Fund** accounts for the receipt and expenditure of the State-levied motor vehicle fuel tax distributed to the City in accordance with State R.C.W. 82.36.020. These revenues are to be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets, or for the payment of related municipal indebtedness.

The **Affordable and Supportive Housing Sales and Use Tax Fund** accounts for the receipt of sales tax passed in Senate House Bill 1406 RCW 82.14.540. This sale tax is a credit against the state sales tax rate of 6.5%, therefore it will not increase the tax rate for consumers. This is a restricted revenue source that can be used by local governments for investments in affordable and supportive housing.

The **Solid Waste/Recycling Fund** was established to account for special refuse collection fees used to manage the Solid Waste and Recycling program.

The **Special Contracts/Studies Fund** accounts for receipts and disbursements related to special contracts and special projects where completion will extend beyond the calendar year.

The **Hotel/Motel Lodging Tax Fund** was established to account for all lodging tax receipts and disbursements related to tourism promotion and acquisition and/or operation of tourism-related facilities.

The **Federal Way Community Center Fund** was established to account for the operation of the community center. The fund is supported by user fees and designated utility tax transfers.

The **Traffic Safety Fund** was established to account for the penalties and fines collected in criminal traffic violations and those related to the operation of the Red Light Photo Enforcement Program. Funds collected for traffic safety shall be used for, but not limited to prevention, education, and enforcement effectors related to traffic safety and compliance with traffic control devices within the city, including maintenance and operation costs.

The **Community Development Block Grant Fund** accounts for the receipt and disbursement of federal grant revenue received through the Department of Housing and Urban Development's Community Development Block Grant Program. Separate subsidiary records are maintained to administer the individual projects accounted for in this fund.

The **Path and Trails Reserve Fund** was established in accordance with State law to accumulate unexpended proceeds of the City's ½% motor vehicle fuel tax receipts which are restricted in use to the construction and maintenance of paths and trails within City right-of-way. In August 2013, King County voters approved a new \$0.1877, six-year, inflation adjusted property tax lid lift to expand park and recreation opportunities. Seven percent of the County levy proceeds will be distributed to cities for acquisition and development of open space and natural lands and city trail projects that support connections to the regional trail system.

The **Technology Fund** was established to account for a technology fee collected on business license fees, and parks and recreation fees to accommodate the high cost and need to continually replace telecommunications, data, network, hardware, and software systems caused by a continuous and rapidly changing technology environment.

### **Capital Projects Funds**

The Capital Project Funds account for the acquisition or construction of major capital facilities with the exception of those facilities financed by proprietary and trust funds. The major sources of revenue for this fund are general obligation bond proceeds, grants from other agencies, local taxes and contributions from other funds.

The **Real Estate Excise Tax Fund** was established to account for the City's real estate excise tax and the transfers to pay for debt and capital projects.

The **Downtown Redevelopment CIP Fund** accounts for receipts of Local Infrastructure Financing Tool (LIFT), and downtown redevelopment projects.

The **City Facilities CIP Fund** accounts for receipts and disbursements related to acquisition, design, construction and any other related municipal facility and community/senior capital project expenditures.

The **Parks CIP Fund** was established to account for receipts and disbursements related to acquisition, design, construction and any other related parks capital project expenditures.

The **Capital Project Reserve Fund** accounts for receipts and disbursements related to acquisition, design, construction and any other related municipal facility and community/senior capital project expenditures.

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2022

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,410,495	\$ 6,098,290	\$ 12,508,786
Investments	4,947,716	4,849,842	9,797,558
Receivables (net):			
Taxes	-	173,560	173,560
Accounts and contracts	130,103	-	130,103
Restricted Cash	66,826	-	66,826
Due from other governments	751,562	169,161	920,723
<b>TOTAL ASSETS</b>	<u>12,306,703</u>	<u>11,290,854</u>	<u>23,597,557</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Vouchers payable	770,371	1,198	771,569
Accounts/payroll payable	227,865	-	227,865
Retainage payable	79,326	20,693	100,019
Deposits payable	41,829	-	41,829
Interfund loans payable	184,788	-	184,788
Unearned revenue	84,853	-	84,853
<b>TOTAL LIABILITIES</b>	<u>1,389,032</u>	<u>21,891</u>	<u>1,410,923</u>
 <b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE</b>	<u>11,182</u>	<u>-</u>	<u>11,182</u>
 Fund Balance:			
Restricted	5,907,665	10,469,845	16,377,510
Committed	4,998,824	799,118	5,797,942
<b>TOTAL FUND BALANCES</b>	<u>10,906,489</u>	<u>11,268,963</u>	<u>22,175,452</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 12,306,703</u></u>	<u><u>\$ 11,290,854</u></u>	<u><u>\$ 23,597,557</u></u>

**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
December 31, 2022

	Arterial Street	Affrd. & Supprt. Housing Sales & Use Tax	Solid Waste Recycling	Special Contracts/ Studies	Hotel/Motel Lodging Tax
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 567,779	\$ 73,193	\$ 149,323	\$ 535,446	\$ 1,013,368
Investments	451,898	58,172	118,787	425,866	805,998
Receivables (net):					
Accounts and contracts	-	-	50,614	13,358	
Restricted Cash	66,826	-	-	-	-
Due from other governments	71,616	30,494	133,144	-	42,385
	<u>1,158,119</u>	<u>161,858</u>	<u>451,869</u>	<u>974,669</u>	<u>1,861,750</u>
TOTAL ASSETS					
	<u>1,158,119</u>	<u>161,858</u>	<u>451,869</u>	<u>974,669</u>	<u>1,861,750</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Vouchers payable	52,694	-	41,152	429	1,290
Accounts/payroll payable	17,322	-	18,676	-	-
Retainage payable	66,826	-	-	-	-
Deposits payable	-	-	-	-	-
Interfund loans payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
	<u>136,842</u>	<u>-</u>	<u>59,829</u>	<u>429</u>	<u>1,290</u>
TOTAL LIABILITIES					
	<u>136,842</u>	<u>-</u>	<u>59,829</u>	<u>429</u>	<u>1,290</u>
<b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE</b>					
	<u>-</u>	<u>-</u>	<u>11,182</u>	<u>-</u>	<u>-</u>
Fund Balance:					
Restricted	1,021,277	161,858	-	974,240	1,860,460
Committed	-	-	380,858	-	-
	<u>1,021,277</u>	<u>161,858</u>	<u>380,858</u>	<u>974,240</u>	<u>1,860,460</u>
TOTAL FUND BALANCES					
	<u>1,021,277</u>	<u>161,858</u>	<u>380,858</u>	<u>974,240</u>	<u>1,860,460</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,158,119</u>	<u>\$ 161,858</u>	<u>\$ 451,869</u>	<u>\$ 974,669</u>	<u>\$ 1,861,750</u>

**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
December 31, 2022

	Federal way Community Center	Traffic Safety	Community Development Block Grant	Paths and Trails Reserve	Technology	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,107,585	\$ 1,530,876	\$ 141,845	\$ 1,037,907	\$ 253,175	\$ 6,410,495
Investments	880,435	1,179,698	-	825,456	201,406	4,947,716
Receivables (net):						
Accounts and contracts	66,131	-	-	-	-	130,103
Restricted Cash	-	-	-	-	-	66,826
Due from other governments	250,000	-	222,564	1,359		751,562
<b>TOTAL ASSETS</b>	<b>2,304,151</b>	<b>2,710,574</b>	<b>364,409</b>	<b>1,864,722</b>	<b>454,581</b>	<b>12,306,703</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Vouchers payable	379,827	151,326	143,628	-	25	770,371
Accounts/payroll payable	74,925	106,055	10,886	-	-	227,865
Retainage payable	12,500	-	-	-	-	79,326
Deposits payable	41,829	-	-	-	-	41,829
Interfund loans payable		-	184,788	-	-	184,788
Unearned revenue	84,853	-	-	-	-	84,853
<b>TOTAL LIABILITIES</b>	<b>593,935</b>	<b>257,380</b>	<b>339,302</b>	<b>-</b>	<b>25</b>	<b>1,389,032</b>
<b>DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,182</b>
Fund Balance:						
Restricted	-	-	25,107	1,864,722	-	5,907,665
Committed	1,710,217	2,453,193	-	-	454,556	4,998,824
<b>TOTAL FUND BALANCES</b>	<b>1,710,217</b>	<b>2,453,193</b>	<b>25,107</b>	<b>1,864,722</b>	<b>454,556</b>	<b>10,906,489</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,304,151</b>	<b>\$ 2,710,574</b>	<b>\$ 364,409</b>	<b>\$ 1,864,722</b>	<b>\$ 454,581</b>	<b>\$12,306,703</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**

December 31, 2022

	Real Estate Excise Tax Fund	Downtown Redevelopment	City Facilities	Parks	Capital Project Reserve	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,291,458	\$ 2,472,888	\$ 95,945	\$ 1,034,635	\$ 203,364	\$ 6,098,290
Investments	1,822,197	1,966,867	76,260	822,789	161,729	4,849,842
Receivables (net):						
Taxes	173,537	23	-	-	-	173,560
Due from other governments	-	-	-	169,161	-	169,161
<b>TOTAL ASSETS</b>	<u>4,287,192</u>	<u>4,439,778</u>	<u>172,205</u>	<u>2,026,585</u>	<u>365,093</u>	<u>11,290,854</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Vouchers payable	-	-	-	1,198	-	1,198
Retainage payable	-	-	-	20,693	-	20,693
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,891</u>	<u>-</u>	<u>21,891</u>
Fund Balance:						
Restricted	4,287,192	4,439,778	-	1,742,874	-	10,469,845
Committed	-	-	172,205	261,820	365,093	799,118
<b>TOTAL FUND BALANCES</b>	<u>4,287,192</u>	<u>4,439,778</u>	<u>172,205</u>	<u>2,004,694</u>	<u>365,093</u>	<u>11,268,963</u>
<b>INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,287,192</u>	<u>\$ 4,439,778</u>	<u>\$ 172,205</u>	<u>\$ 2,026,585</u>	<u>\$ 365,093</u>	<u>\$ 11,290,854</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For Year Ended December 31, 2022**

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Taxes	\$ 742,756	\$ 6,107,403	\$ 6,850,159
Licenses and permits	103,969	-	103,969
Intergovernmental	1,458,715	319,161	1,777,876
Charges for goods and services	1,915,848	168,797	2,084,645
Fines and penalties	3,842,343	-	3,842,343
Interest	(144,205)	(146,824)	(291,029)
Miscellaneous	305,670	19,000	324,670
	<u>8,225,095</u>	<u>6,467,537</u>	<u>14,692,633</u>
<b>TOTAL REVENUES</b>			
	<u>8,225,095</u>	<u>6,467,537</u>	<u>14,692,633</u>
<b>EXPENDITURES</b>			
Current:			
General government	49,593	-	49,593
Public safety	2,785,045	-	2,785,045
Transportation	1,747,755	-	1,747,755
Utilities	681,468	-	681,468
Natural and economic environment	20,597	-	20,597
Social services	725,045	-	725,045
Culture and recreation	2,590,528	474,820	3,065,348
Debt service:			
Interest/fiscal charges/admin fees	3,162	-	3,162
Capital outlay	16,646	-	16,646
	<u>8,619,840</u>	<u>474,820</u>	<u>9,094,660</u>
<b>TOTAL EXPENDITURES</b>			
	<u>8,619,840</u>	<u>474,820</u>	<u>9,094,660</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(394,744)</u>	<u>5,992,717</u>	<u>5,597,973</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,124,696	30,000	2,154,696
Transfers out	(216,000)	(6,509,440)	(6,725,440)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,908,696</u>	<u>(6,479,440)</u>	<u>(4,570,744)</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,513,952	(486,722)	1,027,230
<b>FUND BALANCES - BEGINNING</b>	9,269,032	11,755,685	21,024,717
Prior Period Adjustment	123,505	-	123,505
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	9,392,537	11,755,685	21,148,222
<b>FUND BALANCES - ENDING</b>	<u>\$ 10,906,489</u>	<u>\$ 11,268,963</u>	<u>\$ 22,175,452</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For Year Ended December 31, 2022**

	Arterial Street	Affrd. & Supprt. Housing Sales & Use Tax	Solid Waste Recycling	Special Contracts/ Studies	Hotel/Motel Lodging Tax
<b>REVENUES</b>					
Taxes	\$ -	\$ 137,474	\$ -	\$ -	\$ 282,862
Licenses and permits	-	-	-	103,969	-
Intergovernmental	494,699	-	222,721	-	-
Charges for goods and services	13,000	-	590,548	-	-
Fines and penalties	-	-	-	-	-
Interest	(11,880)	(2,389)	(3,244)	(12,190)	(22,735)
Miscellaneous	-	-	674	-	-
<b>TOTAL REVENUES</b>	<b>495,819</b>	<b>135,085</b>	<b>810,699</b>	<b>91,779</b>	<b>260,127</b>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	429	-
Public safety	-	-	-	-	-
Transportation	1,003,077	-	-	-	-
Utilities	-	-	681,468	-	-
Natural and economic environment	-	-	-	-	20,597
Social services	-	243,141	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest/fiscal charges/admin fees	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,003,077</b>	<b>243,141</b>	<b>681,468</b>	<b>429</b>	<b>20,597</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(507,258)</b>	<b>(108,056)</b>	<b>129,231</b>	<b>91,350</b>	<b>239,530</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,013,000	-	-	-	2,305
Transfers out	(186,000)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>827,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,305</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>319,742</b>	<b>(108,056)</b>	<b>129,231</b>	<b>91,350</b>	<b>241,835</b>
<b>FUND BALANCES - BEGINNING</b>	<b>701,535</b>	<b>269,914</b>	<b>251,627</b>	<b>882,890</b>	<b>1,618,626</b>
Prior Period Adjustment	-	-	-	-	-
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>701,535</b>	<b>269,914</b>	<b>251,627</b>	<b>882,890</b>	<b>1,618,626</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,021,277</b>	<b>\$ 161,858</b>	<b>\$ 380,858</b>	<b>\$ 974,240</b>	<b>\$ 1,860,460</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For Year Ended December 31, 2022**

	Federal way Community Center	Traffic Safety	Community Development Block Grant	Paths and Trails Reserve	Technology	Total
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 322,419	\$ -	\$ 742,756
Licenses and permits	-	-	-	-	-	103,969
Intergovernmental	250,000	-	481,904	9,391	-	1,458,715
Charges for goods and services	1,081,900	-	-	-	230,399	1,915,848
Fines and penalties	-	3,842,343	-	-	-	3,842,343
Interest	(25,509)	(38,086)	-	(23,028)	(5,144)	(144,205)
Miscellaneous	304,996	-	-	-	-	305,670
<b>TOTAL REVENUES</b>	<b>1,611,387</b>	<b>3,804,257</b>	<b>481,904</b>	<b>308,782</b>	<b>225,256</b>	<b>8,225,095</b>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	49,163	49,593
Public safety	-	2,785,045	-	-	-	2,785,045
Transportation	-	744,678	-	-	-	1,747,755
Utilities	-	-	-	-	-	681,468
Natural and economic environment	-	-	-	-	-	20,597
Social services	-	-	481,904	-	-	725,045
Culture and recreation	2,590,528	-	-	-	-	2,590,528
Debt service:						
Principal	-	-	-	-	-	-
Interest/fiscal charges/admin fees	-	-	3,163	-	-	3,162
Capital outlay	-	-	-	-	16,646	16,646
<b>TOTAL EXPENDITURES</b>	<b>2,590,528</b>	<b>3,529,723</b>	<b>485,067</b>	<b>-</b>	<b>65,810</b>	<b>8,619,840</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(979,141)</b>	<b>274,534</b>	<b>(3,163)</b>	<b>308,782</b>	<b>159,446</b>	<b>(394,744)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,063,227	46,164	-	-	-	2,124,696
Transfers out	-	-	-	(30,000)	-	(216,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,063,227</b>	<b>46,164</b>	<b>-</b>	<b>(30,000)</b>	<b>-</b>	<b>1,908,696</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>84,086</b>	<b>320,698</b>	<b>(3,163)</b>	<b>278,782</b>	<b>159,446</b>	<b>1,513,952</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,502,625</b>	<b>2,132,495</b>	<b>28,270</b>	<b>1,585,940</b>	<b>295,110</b>	<b>9,269,032</b>
	123,505	-	-	-	-	123,505
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>1,626,131</b>	<b>2,132,495</b>	<b>28,270</b>	<b>1,585,940</b>		<b>9,392,537</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,710,217</b>	<b>\$ 2,453,193</b>	<b>\$ 25,107</b>	<b>\$ 1,864,722</b>	<b>\$ 454,556</b>	<b>\$10,906,489</b>



**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
For Year Ended December 31, 2022**

	Real Estate Excise Tax Fund	Downtown Redevelopment	City Facilities	Parks	Capital Project Reserve	Total
<b>REVENUES</b>						
Taxes	\$ 5,107,046	\$ 1,000,358	\$ -	\$ -	\$ -	\$ 6,107,403
Intergovernmental	-	-	-	319,161	-	319,161
Charges for goods and services	-	-	-	168,797	-	168,797
Interest	(57,933)	(55,702)	(2,979)	(25,339)	(4,870)	(146,824)
Miscellaneous	-	-	-	19,000	-	19,000
TOTAL REVENUES	<u>5,049,112</u>	<u>944,656</u>	<u>(2,979)</u>	<u>481,619</u>	<u>(4,870)</u>	<u>6,467,537</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	-	-	-	474,820	-	474,820
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,820</u>	<u>-</u>	<u>474,820</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,049,112</u>	<u>944,656</u>	<u>(2,979)</u>	<u>6,799</u>	<u>(4,870)</u>	<u>5,992,717</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	30,000	-	30,000
Transfers out	(5,989,440)	(405,000)	(115,000)	-	-	(6,509,440)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,989,440)</u>	<u>(405,000)</u>	<u>(115,000)</u>	<u>30,000</u>	<u>-</u>	<u>(6,479,440)</u>
NET CHANGE IN FUND BALANCES	(940,327)	539,656	(117,979)	36,799	(4,870)	(486,722)
FUND BALANCES - BEGINNING	<u>5,227,519</u>	<u>3,900,123</u>	<u>290,185</u>	<u>1,967,896</u>	<u>369,963</u>	<u>11,755,685</u>
FUND BALANCES - ENDING	<u>\$ 4,287,192</u>	<u>\$ 4,439,778</u>	<u>\$ 172,205</u>	<u>\$ 2,004,694</u>	<u>\$ 365,093</u>	<u>\$ 11,268,963</u>

**ARTERIAL STREET**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 494,699	\$ 44,699
Charges for goods and services	-	-	13,000	13,000
Interest	5,000	5,000	(11,880)	(16,880)
<b>TOTAL REVENUES</b>	<b>455,000</b>	<b>455,000</b>	<b>495,819</b>	<b>40,819</b>
<b>EXPENDITURES</b>				
Current:				
Transportation	3,051,111	1,891,917	1,003,077	888,840
<b>TOTAL EXPENDITURES</b>	<b>3,051,111</b>	<b>1,891,917</b>	<b>1,003,077</b>	<b>888,840</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,596,111)</b>	<b>(1,436,917)</b>	<b>(507,258)</b>	<b>929,659</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,563,000	1,063,000	1,013,000	(50,000)
Transfers out	-	(186,000)	(186,000)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,563,000</b>	<b>876,999</b>	<b>827,000</b>	<b>(49,999)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(33,111)</b>	<b>(559,918)</b>	<b>319,742</b>	<b>879,660</b>
<b>FUND BALANCES - BEGINNING</b>	<b>473,435</b>	<b>659,918</b>	<b>701,535</b>	<b>41,617</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 440,324</b>	<b>\$ 100,000</b>	<b>\$ 1,021,277</b>	<b>\$ 921,277</b>

**AFFORDABLE & SUPPORTIVE HOUSING SALES & USE TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ -	\$ 125,000	\$ 137,474	\$ 12,474
Interest	-	-	(2,389)	(2,389)
TOTAL REVENUES	-	125,000	135,085	10,085
<b>EXPENDITURES</b>				
Current:				
Social services	-	250,000	243,141	6,859
TOTAL EXPENDITURES	-	250,000	243,141	6,859
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(125,000)	(108,056)	16,944
NET CHANGE IN FUND BALANCES	-	(125,000)	(108,056)	16,944
FUND BALANCES - BEGINNING	-	255,702	269,914	14,212
FUND BALANCES - ENDING	\$ -	\$ 130,702	\$ 161,858	\$ 31,156

**SOLID WASTE & RECYCLING**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 115,570	\$ 251,350	\$ 222,721	\$ (28,629)
Charges for goods and services	437,560	437,560	590,548	152,988
Fines and penalties	2,000	2,000	-	(2,000)
Interest	1,200	1,200	(3,244)	(4,444)
Miscellaneous	-	-	674	674
<b>TOTAL REVENUES</b>	<b>556,330</b>	<b>692,110</b>	<b>810,699</b>	<b>118,589</b>
<b>EXPENDITURES</b>				
Current:				
Utilities	545,844	681,624	681,468	155
<b>TOTAL EXPENDITURES</b>	<b>545,844</b>	<b>681,624</b>	<b>681,468</b>	<b>155</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,486</b>	<b>10,486</b>	<b>129,231</b>	<b>118,744</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,486</b>	<b>10,486</b>	<b>129,231</b>	<b>118,744</b>
<b>FUND BALANCES - BEGINNING</b>	<b>176,632</b>	<b>261,325</b>	<b>251,627</b>	<b>(9,698)</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 187,119</b>	<b>\$ 271,812</b>	<b>\$ 380,858</b>	<b>\$ 109,046</b>

**SPECIAL CONTRACTS/STUDIES**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts				Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts		
REVENUES					
Licenses and permits	\$ -	\$ -	\$ 103,969	\$	103,969
Interest	-	-	(12,190)		(12,190)
TOTAL REVENUES	-	-	91,779		91,779
EXPENDITURES					
Current:					
General government	-	-	429		(429)
Capital outlay	-	450,000	-		450,000
TOTAL EXPENDITURES	-	450,000	429		449,571
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	-	(450,000)	91,350		541,350
NET CHANGE IN FUND BALANCES					
	-	(450,000)	91,350		541,350
FUND BALANCES - BEGINNING	341,927	882,890	882,890		0
FUND BALANCES - ENDING	\$ 341,927	\$ 432,890	\$ 974,240	\$	541,350

**HOTEL/MOTEL LODGING TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 282,862	\$ 132,862
Interest	5,000	5,000	(22,735)	(27,735)
TOTAL REVENUES	155,000	155,000	260,127	105,127
<b>EXPENDITURES</b>				
Current:				
Natural and economic environment	155,000	155,000	20,597	134,403
TOTAL EXPENDITURES	155,000	155,000	20,597	134,403
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	239,530	239,530
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	2,305	2,305	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	2,305	2,305	-
NET CHANGE IN FUND BALANCES	-	2,305	241,835	239,530
FUND BALANCES - BEGINNING	1,335,006	1,602,856	1,618,626	15,770
FUND BALANCES - ENDING	\$ 1,335,006	\$ 1,605,161	\$ 1,860,460	\$ 255,299

**FEDERAL WAY COMMUNITY CENTER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 250,000	\$ 250,000
Charges for goods and services	1,590,875	1,130,876	1,081,900	(48,976)
Interest	10,000	10,000	(25,509)	(35,509)
Miscellaneous	840,000	550,000	304,996	(245,004)
<b>TOTAL REVENUES</b>	<b>2,440,875</b>	<b>1,690,876</b>	<b>1,611,387</b>	<b>(79,489)</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	2,756,334	2,756,334	2,590,528	165,806
<b>TOTAL EXPENDITURES</b>	<b>2,756,334</b>	<b>2,756,334</b>	<b>2,590,528</b>	<b>165,806</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(315,459)</b>	<b>(1,065,458)</b>	<b>(979,141)</b>	<b>86,318</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	308,227	1,063,227	1,063,227	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>308,227</b>	<b>1,063,227</b>	<b>1,063,227</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,232)</b>	<b>(2,231)</b>	<b>84,086</b>	<b>86,318</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,507,233</b>	<b>1,502,625</b>	<b>1,502,625</b>	<b>1</b>
Prior period adjustment	-	-	123,505	123,505
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,393</b>	<b>\$ 1,710,217</b>	<b>\$ 209,824</b>

**TRAFFIC SAFETY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

For Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Fines and penalties	\$ 2,872,442	\$ 2,872,442	\$ 3,842,343	\$ 969,901
Interest	13,500	13,500	(38,086)	(51,586)
TOTAL REVENUES	2,885,942	2,885,942	3,804,257	918,315
<b>EXPENDITURES</b>				
Current:				
General government	61,550	61,550	-	61,550
Public safety	2,019,227	2,765,031	2,785,045	(20,013)
Transportation	694,741	703,141	744,678	(41,537)
TOTAL EXPENDITURES	2,775,519	3,529,723	3,529,723	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	110,423	(643,781)	274,534	918,315
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	635,381	46,164	(589,217)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	635,381	46,164	(589,217)
NET CHANGE IN FUND BALANCES	110,423	(8,400)	320,698	329,098
FUND BALANCES - BEGINNING	419,528	2,132,495	2,132,495	0
FUND BALANCES - ENDING	\$ 529,951	\$ 2,124,095	\$ 2,453,193	\$ 329,098



**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 758,323	\$ 2,232,066	\$ 481,904	\$ (1,750,162)
TOTAL REVENUES	<u>758,323</u>	<u>2,232,066</u>	<u>481,904</u>	<u>(1,750,162)</u>
<b>EXPENDITURES</b>				
Current:				
Social services	758,323	2,232,066	481,904	1,750,162
Debt service:				-
Interest/fiscal charges/admin fees	-	-	3,163	(3,163)
TOTAL EXPENDITURES	<u>758,323</u>	<u>2,232,066</u>	<u>485,067</u>	<u>1,746,999</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(0)</u>	<u>(0)</u>	<u>(3,163)</u>	<u>(3,162)</u>
NET CHANGE IN FUND BALANCES	(0)	(0)	(3,163)	(3,162)
FUND BALANCES - BEGINNING	21,251	28,269	28,270	1
FUND BALANCES - ENDING	<u>\$ 21,250</u>	<u>\$ 28,268</u>	<u>\$ 25,107</u>	<u>\$ (3,161)</u>

**PATH & TRAILS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

For Year Ended December 31, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Taxes	\$ 160,000	\$ 160,000	\$ 322,419	\$ 162,419
Intergovernmental	9,000	9,000	9,391	391
Interest	-	-	(23,028)	(23,028)
TOTAL REVENUES	<u>169,000</u>	<u>169,000</u>	<u>308,782</u>	<u>139,782</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(30,000)	(30,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	169,000	139,000	278,782	139,782
FUND BALANCES - BEGINNING	1,329,437	1,585,150	1,585,940	790
FUND BALANCES - ENDING	<u>\$ 1,498,437</u>	<u>\$ 1,724,150</u>	<u>\$ 1,864,722</u>	<u>\$ 140,572</u>

**TECHNOLOGY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for goods and services	\$ 149,250	\$ 149,249	\$ 230,399	\$ 81,150
Interest	-	-	(5,144)	(5,144)
TOTAL REVENUES	<u>149,250</u>	<u>149,249</u>	<u>225,256</u>	<u>76,007</u>
<b>EXPENDITURES</b>				
Current:				
General government	14,300	64,300	49,163	15,137
Capital outlay	-	220,000	16,646	203,354
TOTAL EXPENDITURES	<u>14,300</u>	<u>284,300</u>	<u>65,810</u>	<u>218,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>134,950</u>	<u>(135,051)</u>	<u>159,446</u>	<u>294,497</u>
NET CHANGE IN FUND BALANCES	134,950	(135,051)	159,446	294,497
FUND BALANCES - BEGINNING	<u>56,852</u>	<u>295,110</u>	<u>295,110</u>	<u>0</u>
FUND BALANCES - ENDING	<u>\$ 191,802</u>	<u>\$ 160,059</u>	<u>\$ 454,556</u>	<u>\$ 294,497</u>

**REAL ESTATE EXCISE TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Taxes	\$ 3,640,000	\$ 4,421,454	\$ 5,107,046	\$ 685,591
Interest	35,000	35,000	(57,933)	(92,933)
TOTAL REVENUES	3,675,000	4,456,454	5,049,112	592,658
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	4,690	-	(4,690)
Transfers out	(3,453,219)	(6,005,233)	(5,989,440)	15,793
TOTAL OTHER FINANCING SOURCES (USES)	(3,453,219)	(6,000,543)	(5,989,440)	11,103
NET CHANGE IN FUND BALANCES	221,782	(1,544,088)	(940,327)	603,761
FUND BALANCES - BEGINNING	2,903,219	5,216,580	5,227,519	10,939
FUND BALANCES - ENDING	\$ 3,125,000	\$ 3,672,492	\$ 4,287,192	\$ 614,700

**DOWNTOWN REDEVELOPMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 1,000,358	\$ 1,000,358
Interest	-	-	(55,702)	(55,702)
<b>TOTAL REVENUES</b>	-	-	944,656	944,656
<b>EXPENDITURES</b>				
<b>TOTAL EXPENDITURES</b>	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	944,656	944,656
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(205,000)	(405,000)	(405,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(205,000)	(405,000)	(405,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	(205,000)	(405,000)	539,656	944,656
<b>FUND BALANCES - BEGINNING</b>	2,826,754	3,900,123	3,900,123	(0)
Prior period adjustment	-	-	-	-
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	2,826,754	3,900,123	3,900,123	(0)
<b>FUND BALANCES - ENDING</b>	\$ 2,621,754	\$ 3,495,123	\$ 4,439,778	\$ 944,655

**CITY FACILITIES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ 1,000	\$ 1,000	\$ (2,979)	\$ (3,979)
TOTAL REVENUES	1,000	1,000	(2,979)	(3,979)
<b>EXPENDITURES</b>				
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,000	1,000	(2,979)	(3,979)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(115,000)	(115,000)	(115,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(115,000)	(115,000)	(115,000)	-
NET CHANGE IN FUND BALANCES	(114,000)	(114,000)	(117,979)	(3,979)
FUND BALANCES - BEGINNING	290,595	290,185	290,185	(0)
Prior period adjustment	-	-	-	-
ADJUSTED FUND BALANCES - BEGINNING	290,595	290,185	290,185	(0)
FUND BALANCES - ENDING	\$ 176,595	\$ 176,185	\$ 172,205	\$ (3,980)

**PARKS CIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 150,000	\$ 319,161	\$ 169,161
Charges for goods and services	-	-	168,797	168,797
Interest	-	-	(25,339)	(25,339)
Miscellaneous	-	-	19,000	19,000
<b>TOTAL REVENUES</b>	-	150,000	481,619	331,619
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	375,000	595,000	474,820	120,180
<b>TOTAL EXPENDITURES</b>	375,000	595,000	474,820	120,180
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(375,000)	(445,000)	6,799	451,799
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	30,000	30,000	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	30,000	30,000	-
<b>NET CHANGE IN FUND BALANCES</b>	(375,000)	(415,000)	36,799	451,799
<b>FUND BALANCES - BEGINNING</b>	1,451,591	1,967,896	1,967,896	(0)
Prior period adjustment	-	-	-	-
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	1,451,591	1,967,896	1,967,896	(0)
<b>FUND BALANCES - ENDING</b>	\$ 1,076,591	\$ 1,552,896	\$ 2,004,694	\$ 451,798

**TRANSPORTATION CIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 3,555,000	\$ 13,327,417	\$ 3,359,369	\$ (9,968,048)
Charges for goods and services	1,560,000	2,213,000	7,013,305	4,800,305
Interest	-	-	(154,353)	(154,353)
Miscellaneous	250,000	250,000	505	(249,495)
<b>TOTAL REVENUES</b>	<b>5,365,000</b>	<b>15,790,417</b>	<b>10,218,825</b>	<b>(5,571,592)</b>
<b>EXPENDITURES</b>				
Current:				
Transportation	3,023,566	6,003,773	958,809	5,044,964
Debt service:			-	-
Principal	-	-	-	-
Interest/fiscal charges/admin fees	-	-	18,508	(18,508)
Capital outlay	4,550,000	19,830,257	5,213,233	14,617,024
<b>TOTAL EXPENDITURES</b>	<b>7,573,566</b>	<b>25,834,030</b>	<b>6,190,550</b>	<b>19,643,479</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,208,566)</b>	<b>(10,043,613)</b>	<b>4,028,274</b>	<b>14,071,887</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	205,000	3,143,014	3,143,014	-
Transfers out	(200,000)	(440,079)	(240,079)	200,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,000</b>	<b>2,702,935</b>	<b>2,902,935</b>	<b>200,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,203,566)</b>	<b>(7,340,678)</b>	<b>6,931,209</b>	<b>14,271,887</b>
<b>FUND BALANCES - BEGINNING</b>	<b>6,010,217</b>	<b>8,466,403</b>	<b>8,468,921</b>	<b>2,518</b>
Prior period adjustment	-	-	-	-
<b>ADJUSTED FUND BALANCES - BEGINNING</b>	<b>6,010,217</b>	<b>8,466,403</b>	<b>8,468,921</b>	<b>2,518</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 3,806,651</b>	<b>\$ 1,125,725</b>	<b>\$ 15,400,131</b>	<b>\$ 14,274,406</b>



**CAPITAL PROJECT RESERVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ (4,870)	\$ (4,870)
TOTAL REVENUES	-	-	(4,870)	(4,870)
<b>EXPENDITURES</b>				
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(4,870)	(4,870)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	(4,870)	(4,870)
FUND BALANCES - BEGINNING	367,936	369,963	369,963	0
Prior period adjustment	-	-	-	-
ADJUSTED FUND BALANCES - BEGINNING	367,936	369,963	369,963	0
FUND BALANCES - ENDING	\$ 367,936	\$ 369,963	\$ 365,093	\$ (4,870)

**Budget and Actual – Debt Service Fund Description  
For the Year Ended December 31, 2022**

The *Debt Service Fund* accounts for the accumulation of resources for the payment of general obligation and special assessment bond principal, interest and related costs. Revenues for this fund consist of transfers from Real Estate Excise Tax Fund, transfers from the Utility Tax Fund, and/or other revenues as designated by the City Council.

**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**

For Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
REVENUES				
Interest	\$ 30,000	\$ 30,000	\$ (46,900)	\$ (76,900)
TOTAL REVENUES	30,000	30,000	(46,900)	(76,900)
EXPENDITURES				
Current:				
Debt service:				
Principal	2,003,716	7,020,372	6,620,656	399,716
Interest/fiscal charges/admin fees	952,174	952,174	961,285	(9,111)
TOTAL EXPENDITURES	2,955,890	7,972,546	7,581,941	390,605
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,925,890)	(7,942,546)	(7,628,840)	313,706
OTHER FINANCING SOURCES (USES)				
Transfers in	2,539,426	7,556,082	2,539,426	(5,016,656)
Transfers out	(137,374)	(137,374)	-	137,374
TOTAL OTHER FINANCING SOURCES (USES)	2,402,052	7,418,708	2,539,426	(4,879,282)
NET CHANGE IN FUND BALANCES	(523,839)	(523,839)	(5,089,415)	(4,565,576)
FUND BALANCES - BEGINNING	3,254,417	3,672,023	3,672,023	0
FUND BALANCES - ENDING	\$ 2,730,578	\$ 3,148,184	\$ (1,417,392)	\$ (4,565,576)



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**Combining Statement – Internal Service Fund’s Description  
For the Year Ended December 31, 2022**

**Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

The ***Risk Management Fund*** accounts for the City’s risk financing activities established to minimize adverse effects of losses associated with property and casualty, and worker’s compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is also currently recovering costs and building reserves for general liability including property, casualty, errors and omissions and fidelity coverage.

The ***Information Systems Fund*** was established to account for all costs associated with data processing, telecommunications and the Geographical Information System (GIS). This fund will own and depreciate all non-proprietary fund assets related to these functions, and will charge equipment/software users for both maintenance/operating costs and equipment replacement charges based on depreciation schedules.

The ***Support Services Fund*** will account for duplication, graphics and other general support services provided to departments and funds throughout the City.

The ***Fleet and Equipment Fund*** accounts for the cost of maintaining City vehicles and other motorized equipment. Rates charged to user departments are based on the full cost of maintaining equipment items, including the recovery of related depreciation expense.

The ***Buildings and Furnishings Fund*** accounts for all costs associated with the operation and maintenance of specified City buildings. City building facilities and furnishings will be owned by this Fund, and both maintenance/operating costs and depreciation recovery will be charged to City departments and funds.

The ***Health Insurance Fund*** accounts for all self-insuring for medical insurance. The premiums paid by the City’s medical benefit contributions and employee medical deductions pay for the medical and pharmaceutical claims. Also, this fund establishes reserves for the payment of estimated future claims.

The ***Unemployment Insurance Fund*** is currently self-insuring State Unemployment Compensation. Related premiums received by the fund are used to reimburse the unemployment benefits paid to eligible individuals and to establish reserves for the payment of estimated future unemployment claims liability.

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
December 31, 2022

	Risk Management	Information Systems	Support Services	Fleet and Equipment
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 842,848	\$ 2,466,649	\$ 193,333	\$ 2,141,429
Investments	670,400	1,961,640	153,764	1,701,712
Prepaid items	-	-	5,000	-
Receivables (net):				
Accounts and contracts	-	7,500	-	-
Interfund loans receivable	-	-	-	4,861,704
TOTAL CURRENT ASSETS	<u>1,513,248</u>	<u>4,435,790</u>	<u>352,097</u>	<u>8,704,846</u>
Noncurrent assets				
Capital assets:				
Building/structures	-	19,814	-	-
Machinery/furniture/equipment	-	7,092,220	247,976	17,121,209
Less accumulated depreciation	-	(6,045,951)	(127,865)	(9,192,061)
Net pension asset	-	250,335	-	21,686
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>1,316,419</u>	<u>120,111</u>	<u>7,950,834</u>
TOTAL ASSETS	<u>1,513,248</u>	<u>5,752,209</u>	<u>472,208</u>	<u>16,655,680</u>
<b>DEFERRED OUTFLOWS RELATED TO PENSIONS</b>	<u>-</u>	<u>252,154</u>	<u>-</u>	<u>21,776</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Vouchers/payroll payable	16,578	167,623	77,590	244,058
Leases payable	-	3,785	-	-
TOTAL CURRENT LIABILITIES	<u>16,578</u>	<u>171,407</u>	<u>77,590</u>	<u>244,058</u>
Long-term liabilities:				
Leases payable	-	12,340	-	-
Compensated absences payable	-	71,513	-	-
Net Pension Liability	-	143,995	-	12,474
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>227,848</u>	<u>-</u>	<u>12,474</u>
TOTAL LIABILITIES	<u>16,578</u>	<u>399,255</u>	<u>77,590</u>	<u>256,532</u>
<b>DEFERRED INFLOWS RELATED TO PENSIONS</b>	<u>-</u>	<u>255,471</u>	<u>-</u>	<u>22,116</u>
<b>NET POSITION</b>				
Net Investment in capital assets	-	1,066,083	120,111	7,929,148
Restricted for:				
Pensions	-	253,830	-	21,936
Unrestricted	1,496,669	4,029,722	274,507	8,447,723
TOTAL NET POSITION	<u>\$ 1,496,669</u>	<u>\$ 5,349,636</u>	<u>\$ 394,618</u>	<u>\$ 16,398,807</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
December 31, 2022

	Buildings and Furnishings	Self Health Insurance	Unemployment Insurance	TOTAL
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,195,595	\$ 1,945,163	\$ 154,004	\$ 8,939,021
Investments	950,764	1,546,851	122,513	7,107,644
Prepaid items	-	-	-	5,000
Receivables (net):				
Accounts and contracts	8,190	199,911	-	215,602
Interfund loans receivable	-	-	-	4,861,704
TOTAL CURRENT ASSETS	<u>2,154,549</u>	<u>3,691,925</u>	<u>276,517</u>	<u>21,128,971</u>
Noncurrent assets				
Capital assets:				
Building/structures	16,402,151	-	-	16,421,965
Machinery/furniture/equipment	-	-	-	24,461,405
Less accumulated depreciation	(14,167,704)	-	-	(29,533,581)
Net pension asset	<u>37,622</u>	<u>-</u>	<u>-</u>	<u>309,643</u>
TOTAL NONCURRENT ASSETS	<u>2,272,069</u>	<u>-</u>	<u>-</u>	<u>11,659,433</u>
TOTAL ASSETS	<u>4,426,618</u>	<u>3,691,925</u>	<u>276,517</u>	<u>32,788,404</u>
<b>DEFERRED OUTFLOWS RELATED TO PENSIONS</b>	<u>36,963</u>	<u>-</u>	<u>-</u>	<u>310,893</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Vouchers/payroll payable	71,060	83,828	28,762	689,499
Leases payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,785</u>
TOTAL CURRENT LIABILITIES	<u>71,060</u>	<u>83,828</u>	<u>28,762</u>	<u>693,284</u>
Long-term liabilities:				
Leases payable	-	-	-	12,340
Compensated absences payable	-	-	-	71,513
Net Pension Liability	<u>21,640</u>	<u>-</u>	<u>-</u>	<u>178,109</u>
TOTAL LONG-TERM LIABILITIES	<u>21,640</u>	<u>-</u>	<u>-</u>	<u>261,962</u>
TOTAL LIABILITIES	<u>92,700</u>	<u>83,828</u>	<u>28,762</u>	<u>955,246</u>
<b>DEFERRED INFLOWS RELATED TO PENSIONS</b>	<u>38,439</u>	<u>-</u>	<u>-</u>	<u>316,026</u>
<b>NET POSITION</b>				
Net Investment in capital assets	2,234,447	-	-	11,349,789
Restricted for:				
Pensions	37,169	-	-	312,935
Unrestricted	<u>2,060,826</u>	<u>3,608,096</u>	<u>247,755</u>	<u>20,165,300</u>
TOTAL NET POSITION	<u>\$ 4,332,442</u>	<u>\$ 3,608,096</u>	<u>\$ 247,755</u>	<u>\$ 31,828,024</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION**  
For Year Ended December 31, 2022

	Risk Management	Information Systems	Support Services	Fleet and Equipment
<b>OPERATING REVENUES:</b>				
Charges for goods and services	\$ 1,328,697	\$ 2,802,453	\$ 129,426	\$ 3,892,698
Miscellaneous	281,030	7,607	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>1,609,727</b>	<b>2,810,061</b>	<b>129,426</b>	<b>3,892,698</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	-	1,112,012	-	92,455
Materials and supplies	-	224,111	17,346	1,126,647
Services and charges	41,878	1,211,219	69,697	825,514
Insurance	1,146,916	-	-	-
Claims	293,783	-	-	-
Depreciation	-	353,090	20,601	1,268,681
<b>TOTAL OPERATING EXPENSES</b>	<b>1,482,577</b>	<b>2,900,432</b>	<b>107,644</b>	<b>3,313,297</b>
<b>OPERATING INCOME (LOSS)</b>	<b>127,150</b>	<b>(90,372)</b>	<b>21,781</b>	<b>579,401</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Gain (Loss) from disposal of capital assets	-	(1,407)	-	43,785
Interest income	(19,911)	(58,944)	(4,379)	(70,290)
Interest expense	-	(462)	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(19,911)</b>	<b>(60,813)</b>	<b>(4,379)</b>	<b>(26,505)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>107,238</b>	<b>(151,185)</b>	<b>17,402</b>	<b>552,896</b>
Capital contributions	-	111,305	-	1,639,971
Transfers in	118,412	-	-	81,049
Transfers out	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>225,650</b>	<b>(39,880)</b>	<b>17,402</b>	<b>2,273,915</b>
<b>NET POSITION - BEGINNING</b>	<b>1,271,019</b>	<b>5,389,516</b>	<b>377,216</b>	<b>14,124,892</b>
<b>NET POSITION - ENDING</b>	<b>\$ 1,496,669</b>	<b>\$ 5,349,636</b>	<b>\$ 394,618</b>	<b>\$ 16,398,807</b>



**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION**  
For Year Ended December 31, 2022

	Buildings and Furnishings	Self Health Insurance	Unemployment Insurance	TOTAL
<b>OPERATING REVENUES:</b>				
Charges for goods and services	\$ 489,696	\$ 5,121,072	\$ -	\$ 13,764,041
Miscellaneous	8,190	-	-	296,827
<b>TOTAL OPERATING REVENUES</b>	<b>497,886</b>	<b>5,121,072</b>	<b>-</b>	<b>14,060,869</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	167,509	-	-	1,371,976
Materials and supplies	47,845	-	-	1,415,949
Services and charges	418,608	5,235,704	64,120	7,866,740
Insurance	-	-	-	1,146,916
Claims	-	-	-	293,783
Depreciation	746,376	-	-	2,388,748
<b>TOTAL OPERATING EXPENSES</b>	<b>1,380,338</b>	<b>5,235,704</b>	<b>64,120</b>	<b>14,484,113</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(882,452)</b>	<b>(114,632)</b>	<b>(64,120)</b>	<b>(423,245)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Gain (Loss) from disposal of capital assets	-	-	-	42,378
Interest income	(29,595)	(47,882)	(3,971)	(234,972)
Interest expense	-	-	-	(462)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(29,595)</b>	<b>(47,882)</b>	<b>(3,971)</b>	<b>(193,056)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(912,047)</b>	<b>(162,514)</b>	<b>(68,092)</b>	<b>(616,301)</b>
Capital contributions	-	-	-	1,751,275
Transfers in	-	-	-	199,461
Transfers out	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>(912,047)</b>	<b>(162,514)</b>	<b>(68,092)</b>	<b>1,334,435</b>
<b>NET POSITION - BEGINNING</b>	<b>5,244,488</b>	<b>3,770,611</b>	<b>315,846</b>	<b>30,493,588</b>
<b>NET POSITION - ENDING</b>	<b>\$ 4,332,442</b>	<b>\$ 3,608,096</b>	<b>\$ 247,755</b>	<b>\$ 31,828,024</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For Year Ended December 31, 2022

	Risk Management	Information Systems	Support Services	Fleet and Equipment
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users - interfund	\$ 1,329,438	\$ 2,796,799	\$ 129,555	\$ (969,007)
Cash payments to claimants	(293,783)	-	-	-
Cash payments to suppliers for goods/services	(77,151)	(1,287,896)	(19,779)	(2,555,400)
Cash payments to employees	-	(1,213,514)	-	(101,941)
Cash payments to other governments for goods and services	(1,146,916)	(154,967)	-	-
Other operating receipts	281,030	7,607	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>92,617</u>	<u>148,029</u>	<u>109,776</u>	<u>(3,626,348)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	118,412	-	-	81,049
Transfers out	-	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>118,412</u>	<u>-</u>	<u>-</u>	<u>81,049</u>
<b>CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:</b>				
Principal paid on leases	-	(3,690)	-	-
Interest paid on leases	-	(462)	-	-
Acquisition of capital asset/construction work in progress	-	(130,539)	(68,475)	(1,031,779)
Advances (to)/from other funds	-	-	-	3,219
Proceeds from the sale of capital assets	-	404	-	85,272
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(134,287)</u>	<u>(68,475)</u>	<u>(943,287)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Receipts of interest	(19,911)	(58,944)	(4,379)	(70,290)
Payments for investments	(498,449)	(1,379,286)	(113,424)	(608,980)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(518,360)</u>	<u>(1,438,230)</u>	<u>(117,803)</u>	<u>(679,270)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(307,331)</u>	<u>(1,424,488)</u>	<u>(76,502)</u>	<u>(5,167,857)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,150,179</u>	<u>3,891,138</u>	<u>269,835</u>	<u>7,309,286</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>842,848</u>	<u>2,466,650</u>	<u>193,333</u>	<u>2,141,429</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income/(loss)	127,150	(90,372)	21,781	579,401
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	-	353,089	20,601	1,268,681
(Increases)/decrease in accounts/interfund loan receivable	741	(5,655)	130	(4,861,704)
(Increases)/decrease in net pension asset	-	418,350	-	34,328
(Increases)/decrease in deferred outflows related to pensions	-	(170,846)	-	(15,015)
Increases/(decrease) in vouchers/accounts payable	(35,273)	(7,533)	67,264	(603,239)
Increases/(decrease) in accrued payroll/compensated absences payable	-	8,239	-	-
Increases/(decrease) in net pension liability	-	79,313	-	7,056
Increases/(decrease) in deferred inflows related to pensions	-	(436,557)	-	(35,855)
TOTAL ADJUSTMENTS	<u>(34,532)</u>	<u>238,401</u>	<u>87,995</u>	<u>(4,205,749)</u>
<b>NET CASH PROVIDED/USED BY OPERATING ACTIVITIES</b>	<u>\$ 92,617</u>	<u>\$ 148,029</u>	<u>\$ 109,776</u>	<u>\$ (3,626,348)</u>
<b>Non-cash investing, capital, and financing activities:</b>				
(Increase) Decrease in Fair Value of Investments	498,449	1,379,286	113,424	608,980
Other contributions of capital assets	-	111,305	-	1,639,971

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For Year Ended December 31, 2022

	Buildings and Furnishings	Health Insurance	Unemployment Insurance	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users - interfund	\$ 490,651	\$ 4,922,704	\$ 91	\$ 8,700,231
Cash payments to claimants	-	-	-	(293,783)
Cash payments to suppliers for goods/services	(467,333)	(5,165,814)	(42,310)	(9,615,684)
Cash payments to employees	(184,032)	-	-	(1,499,487)
Cash payments to other governments for goods and services	-	(2,519)	-	(1,304,402)
Other operating receipts	8,189	-	-	296,826
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(152,525)	(245,630)	(42,219)	(3,716,299)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	-	(0)	199,461
Transfers out	-	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING	-	-	(0)	199,461
<b>CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:</b>				
Principal paid on leases	-	-	-	(3,690)
Interest paid on leases	-	-	-	(462)
Acquisition of capital asset/construction work in progress	-	-	-	(1,230,793)
Advances (to)/from other funds	-	-	-	3,219
Proceeds from the sale of capital assets	-	-	-	85,676
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	-	-	-	(1,146,049)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Receipts of interest	(29,594)	(47,883)	(3,971)	(234,972)
Payments for investments	(647,932)	(1,054,521)	(80,543)	(4,383,135)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(677,526)	(1,102,404)	(84,514)	(4,618,107)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(830,051)	(1,348,033)	(126,733)	(9,280,995)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,025,646	3,293,196	280,736	18,220,016
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	1,195,595	1,945,163	154,003	8,939,021
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income/(loss)	(882,452)	(114,632)	(64,121)	(423,245)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	746,376	-	-	2,388,747
(Increases)/decrease in accounts/interfund loan receivable	955	(198,368)	91	(5,063,811)
(Increases)/decrease in net pension asset	65,812	-	-	518,490
(Increases)/decrease in deferred outflows related to pensions	(25,344)	-	-	(211,205)
Increases/(decrease) in vouchers/accounts payable	(880)	67,370	21,812	(490,479)
Increases/(decrease) in accrued payroll/compensated absences payable	-	-	-	8,239
Increases/(decrease) in net pension liability	11,635	-	-	98,004
Increases/(decrease) in deferred inflows related to pensions	(68,627)	-	-	(541,039)
TOTAL ADJUSTMENTS	729,927	(130,998)	21,903	(3,293,053)
<b>NET CASH PROVIDED/USED BY OPERATING ACTIVITIES</b>	<u>\$ (152,525)</u>	<u>\$ (245,630)</u>	<u>\$ (42,219)</u>	<u>\$ (3,716,299)</u>
<b>Non-cash investing, capital, and financing activities:</b>				
Increase (Decrease) in Fair Value of Investments	647,932	1,054,521	80,543	4,383,135
Other contributions of capital assets	-	-	-	1,751,275



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# **SUPPLEMENTAL INFORMATION**

MCAG NO. 0711

SCHEDULE 15

CITY OF FEDERAL WAY, WASHINGTON  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For Year Ended December 31, 2022

State Agency <i>Pass-Thru Agency (if applicable)</i>		Other I.D./ Grant #	Current Year Expenditures
Program Title	BARS Account		
<b>Department of Commerce</b>			
FW Emergency Shelter for Homeless Families with Children	001-0000-083-334-04-020	S20-32102-01	-
Housing Action Plan Implementation Grant	001-0000-073-334-04-020	22-63314-012	69,914
<b>SUBTOTAL DEPARTMENT OF COMMERCE</b>			<b>69,914</b>
<b>Washington Office of Sheriffs and Police Chiefs</b>			
WA Auto Theft Prevention Authority Grant	001-0000-090-334-06-090	21-23 WATPA GG-PSATT	11,305
BH Support and Suicide Prevention Grant	001-0000-090-334-06-091	OW-Federal Way 22-23	11,400
<b>SUBTOTAL WASHINGTON OFFICE OF SHERIFFS AND POLICE CHIEFS</b>			<b>22,705</b>
<b>Washington State Administrative Office of the Courts</b>			
Washington State Administrative Office of the Courts (AOC) Grant	001-0000-022-334-01-020	GRT22435	127,217
<b>SUBTOTAL WASHINGTON STATE ADMINISTRATIVE OFFICE OF THE COURTS</b>			<b>127,217</b>
<b>State Department of Ecology</b>			
Local Solid Waste Funding Assistance	106-0000-000-334-03-010	SWMLSWFA-2021-FedWay-00072	58,536
Highway Ramp Clean Up Project	106-0000-000-334-03-010	SWMCLCP-2123-FedWay-00074	24,907
DOE Capacity Grant 2022-2023	401-0000-000-334-03-010	WQSWCAP-2123-FEDWAY-00224	48,528
<b>SUBTOTAL STATE DEPARTMENT OF ECOLOGY</b>			<b>131,971</b>
<b>State Department of Transportation</b>			
Commute Trip Reduction	101-0000-000-334-03-060	PTD0439	20,706
<b>SUBTOTAL STATE DEPARTMENT OF TRANSPORTATION</b>			<b>20,706</b>
<b>Transportation Improvement Board (TIB)</b>			
SR509: SW 312th St - 21st Ave SW SRTS Project	306-4400-204-334-03-080	P-P-113(P02)-1	457,805
SR99 at S 373rd Street Roundabout with Median Control	306-4400-224-334-03-080	8-1-113(014)-1	53,161
S 288th Street: Pacific Hwy S to 34th Ave S Bike & Pedestrian Improv.	306-4400-238-334-03-080	8-1-113(013)-1	133,250
<b>SUBTOTAL TRANSPORTATION IMPROVEMENT BOARD (TIB)</b>			<b>644,216</b>
<b>TOTAL STATE ASSISTANCE:</b>			<b>1,016,729</b>

MCAG NO. 0711				CITY OF FEDERAL WAY, WASHINGTON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For Year Ended December 31, 2022					SCHEDULE 16
Federal Agency Pass-Thru Agency (if applicable)	ALN	Other	COVID-19	From	From	Total	Passed		
Federal Program Name	BARS Account	I.D. #	Funding	Pass-Through	Direct	Expenditures	through to		
	#			Awards	Awards		Subrecipients		
US Department of Housing and Urban Development Office of Community Planning and Development									
Community Development Block Grants/Entitlement Grants	119-7300-801-331-14-218	14.218	B-22-MC-53-0015	-	9,000	9,000	9,000		
Community Development Block Grants/Entitlement Grants	119-7300-809-331-14-218	14.218	B-20-MW-53-0015	yes	89,210	89,210	89,210		
Community Development Block Grants/Entitlement Grants	119-7300-810-331-14-218	14.218	B-22-MC-53-0015	-	10,000	10,000	10,000		
Community Development Block Grants/Entitlement Grants	119-7300-961-331-14-218	14.218	B-22-MC-53-0015	-	154,982	154,982	-		
Community Development Block Grants/Entitlement Grants	119-7300-966-331-14-218	14.218	B-22-MC-53-0015	-	30,000	30,000	-		
Community Development Block Grants/Entitlement Grants	119-7300-967-331-14-218	14.218	B-20-MW-53-0015	yes	48,351	48,351	48,351		
Community Development Block Grants/Entitlement Grants	119-7300-987-331-14-218	14.218	B-22-MC-53-0015	-	11,000	11,000	11,000		
Community Development Block Grants/Entitlement Grants	119-7300-994-331-14-218	14.218	B-21-MC-53-0015	-	20,924	20,924	20,924		
Community Development Block Grants/Entitlement Grants	119-7300-994-331-14-218	14.218	B-22-MC-53-0015	-	16,976	16,976	16,976		
Community Development Block Grants/Entitlement Grants	119-7300-994-331-14-218	14.218	Program Income from 996	-	16,719	16,719	16,719		
Community Development Block Grants/Entitlement Grants	119-7300-996-331-14-218	14.218	B-20-MC-53-0015	-	26,719	26,719	-		
Community Development Block Grants/Entitlement Grants	119-7300-996-331-14-218	14.218	Program income from 996	-	21,277	21,277	-		
Community Development Block Grants/Entitlement Grants	119-7300-998-331-14-218	14.218	B-22-MC-53-0015	-	20,000	20,000	20,000		
Community Development Block Grants/Entitlement Grants	119-7300-997-331-14-218	14.218	B-22-MC-53-0015	-	6,746	6,746	6,746		
SUBTOTAL ALN 14.218 Entitlement Grants Cluster	REFER TO NOTES 1-3			-	481,904	481,904	248,926		
US Department of Housing and Urban Development Office of Community Planning and Development									
Community Development Block Grants Section 108 Loan Guarantees	308-5800-110-331-14-248	14.248	B-22-MC-53-0015	-	2,235,000	2,235,000	-		
SUBTOTAL ALN 14.248	REFER TO NOTES 1-4			-	2,235,000	2,235,000	-		
US Department of Justice Bureau of Justice Assistance									
Coronavirus Emergency Supplemental Funding Program	001-0000-090-331-16-034	16.034	2020-VD-BX-1823	yes	2,025	2,025	-		
SUBTOTAL ALN 16.034	REFER TO NOTES 1-3			-	2,025	2,025	-		
US Department of Justice Bureau of Justice Assistance									
Bulletproof Vest Partnership Program	001-0000-090-331-16-607	16.607	BPV	-	36,987	36,987	-		
SUBTOTAL ALN 16.607	REFER TO NOTES 1-3			-	36,987	36,987	-		
US Department of Justice Bureau of Justice Assistance									
Pass-thru City of Seattle									
Edward Byrne Memorial Justice Assistance Grant Program	001-0000-090-333-16-738	16.738	2018-DJ-BX-0200	31,394	-	31,394	-		
Edward Byrne Memorial Justice Assistance Grant Program	001-0000-090-333-16-738	16.738	2019-DJ-BX-0906	6,177	-	6,177	-		
Edward Byrne Memorial Justice Assistance Grant Program	001-0000-090-333-16-738	16.738	2020-DJ-BX-0324	5,899	-	5,899	-		
Pass-thru Department of Commerce									
Less Than Lethal Equipment Program	001-0000-114-333-16-738	16.738	F19-31440-507	11,408	-	11,408	-		
SUBTOTAL ALN 16.738	REFER TO NOTES 1-3			54,878	-	54,878	-		
US Department of Justice Office of Community Oriented Policing Services									
Public Safety Partnership and Community Policing Grants	001-0000-090-331-16-710	16.710	2020UMWX0499	-	236,841	236,841	-		
SUBTOTAL ALN 16.710	REFER TO NOTES 1-3			-	236,841	236,841	-		
US Department of Transportation National Highway Traffic Safety Administration									
Pass-thru Washington Traffic Safety Commission									
State and Community Highway Safety	001-0000-090-333-20-600	20.600	2022-AG-4341	18,759	-	18,759	-		
SUBTOTAL ALN 20.600 Highway Safety Cluster	REFER TO NOTES 1-3			18,759	-	18,759	-		
US Department of Transportation Federal Highway Administration									
Pass-thru Washington State DOT									
Highway Planning and Construction	306-4400-202-333-20-050	20.205	HSIP-000S(464)	87,435	-	87,435	-		
Highway Planning and Construction	306-4400-204-333-20-050	20.205	SRTS-9917(033)	1,193,105	-	1,193,105	-		
Highway Planning and Construction	306-4400-213-333-20-050	20.205	AID-0443 (009)	137,046	-	137,046	-		
Highway Planning and Construction	306-4400-216-333-20-050	20.205	CM-9917 (031)	40,093	-	40,093	-		
Highway Planning and Construction	306-4400-217-333-20-050	20.205	HSIP-000S (528)	677,070	-	677,070	-		
Highway Planning and Construction	306-4400-219-333-20-050	20.205	STPUL-0099 (145)	39,494	-	39,494	-		
Highway Planning and Construction	306-4400-223-333-20-050	20.205	HLP-0443 (010)	18,468	-	18,468	-		
Highway Planning and Construction	306-4400-232-333-20-050	20.205	HSIP-1014(002)	117,881	-	117,881	-		
Highway Planning and Construction	306-4400-233-333-20-051	20.205	CM-9917 (037)	7,875	-	7,875	-		
Highway Planning and Construction	306-4400-234-333-20-050	20.205	HSIP-000S(605)	224,983	-	224,983	-		
Highway Planning and Construction	306-4400-237-333-20-050	20.205	STPUL-0443 (011)	34,013	-	34,013	-		
Highway Planning and Construction	306-4400-238-333-20-050	20.205	HLP-PB21 (002)	86,835	-	86,835	-		
Highway Planning and Construction	306-4400-241-333-20-050	20.205	NHPP-1012 (001)	43,605	-	43,605	-		
SUBTOTAL ALN 20.205 Highway Planning and Construction Cluster	REFER TO NOTES 1-3			2,707,903	-	2,707,903	-		
US Department of Treasury									
American Rescue Plan	001-1800-990-331-21-019	21.027	N/A	yes	-	4,130,530	-		
SUBTOTAL ALN 21.027	REFER TO NOTES 1-3			-	4,130,530	4,130,530	-		
US Department of Homeland Security									
Pass-thru Military Department									
Emergency Management Performance Grants	101-0000-000-333-97-042	97.042	21EMPG E22-265	37,500	-	37,500	-		
SUBTOTAL ALN 97.042	REFER TO NOTES 1-3			37,500	-	37,500	-		
U.S. Small Business Administration									
Shuttered Venue Operators Grant	115-0000-000-331-59-075	59.075	SBAHQ21SV006832	yes	-	360,889	-		
SUBTOTAL ALN 59.075	REFER TO NOTES 1-3			-	360,889	360,889	-		
TOTAL FEDERAL ASSISTANCE:				2,819,040	7,484,176	10,303,216	248,926		

MCAG NO. 0711

SCHEDULE 16

CITY OF FEDERAL WAY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Year Ended December 31, 2022

**Note 1.-Basis of Accounting**

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City of Federal Way's financial statements. The City uses the modified accrual basis of accounting, which is the basis adapted to governmental fund-type measurement focus. All grants reported on this schedule have been accounted for in governmental fund types. Grant revenues are determined to be earned and available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

**Note 2.- Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Federal Way's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3.- Indirect Cost Rate**

The City of Federal Way did not use the new 10% de minimis indirect cost rate as covered in 200.414 Indirect (F&A) costs, and is currently only charging direct costs to grants received.

**Note 4.- Federal Loans**

The City of Federal Way was approved by the US Department of Housing and Urban Development Office of Community Planning and Development to receive a loan totaling \$3,030,000 to finance the Performing Arts & Event Center economic development project. The loan was refinanced down to \$2,712,000 in 2019. The balance of the loan as of 12/31/2022 is \$2,076,000.



## Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the City's overall financial health. The following are the five categories of information presented in this section.

**Financial Trends** – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

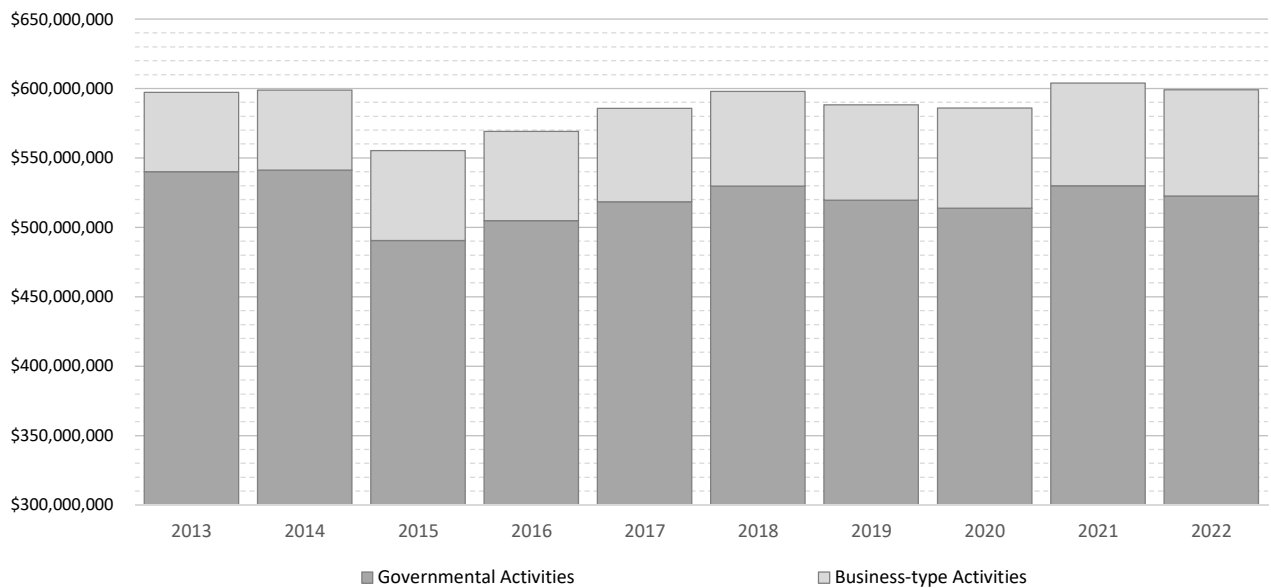
**Revenue Capacity** – These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales tax.

**Debt Capacity** – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

NET POSITION BY COMPONENT										
Last Ten Fiscal Years										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental activities</b>										
Net investment in capital assets	468,628,412	466,078,036	424,245,625	440,815,201	461,491,598	467,610,817	463,177,653	450,219,346	446,961,581	422,826,241
Restricted	22,594,884	17,391,272	20,193,214	21,372,596	20,412,211	20,916,203	18,878,459	19,922,486	36,062,409	48,808,691
Unrestricted	48,829,641	57,837,173	46,012,847	42,575,521	36,393,318	41,205,463	37,399,073	43,673,363	46,840,662	50,974,035
<b>Total governmental activities net position</b>	<b>540,052,936</b>	<b>541,306,481</b>	<b>490,451,686</b>	<b>504,763,318</b>	<b>518,297,127</b>	<b>529,732,483</b>	<b>519,455,185</b>	<b>513,815,194</b>	<b>529,864,652</b>	<b>522,608,966</b>
<b>Business-type activities</b>										
Net investment in capital assets	50,620,091	50,299,229	58,998,176	59,059,646	61,673,201	62,326,054	63,106,022	66,321,652	66,407,627	65,671,446
Restricted	20,559	20,311	15,906	18,438	33,440	39,867	33,261	35,295	306,446	630,738
Unrestricted	6,577,269	7,219,403	5,814,364	5,142,741	5,791,413	5,779,784	5,704,824	5,691,073	7,401,240	10,125,307
<b>Total business-type activities net position</b>	<b>57,217,919</b>	<b>57,538,943</b>	<b>64,828,446</b>	<b>64,220,825</b>	<b>67,498,054</b>	<b>68,145,705</b>	<b>68,844,107</b>	<b>72,048,020</b>	<b>74,115,313</b>	<b>76,427,492</b>
<b>Primary government</b>										
Net investment in capital assets	519,248,503	516,377,265	483,243,801	499,874,847	523,164,799	529,936,871	526,283,675	516,540,998	513,369,208	488,497,687
Restricted	22,615,443	17,411,583	20,209,120	21,391,034	20,445,651	20,956,070	18,911,720	19,957,781	36,368,855	49,439,429
Unrestricted	55,406,910	65,056,576	51,827,211	47,718,262	42,184,731	46,985,247	43,103,897	49,364,436	54,241,902	61,099,342
<b>Total primary government net position</b>	<b>597,270,856</b>	<b>598,845,424</b>	<b>555,280,132</b>	<b>568,984,143</b>	<b>585,795,181</b>	<b>597,878,188</b>	<b>588,299,292</b>	<b>585,863,214</b>	<b>603,979,965</b>	<b>599,036,458</b>
<b>Source:</b> City of Federal Way Finance										
<b>Note:</b> All amounts are reported on the accrual basis.										

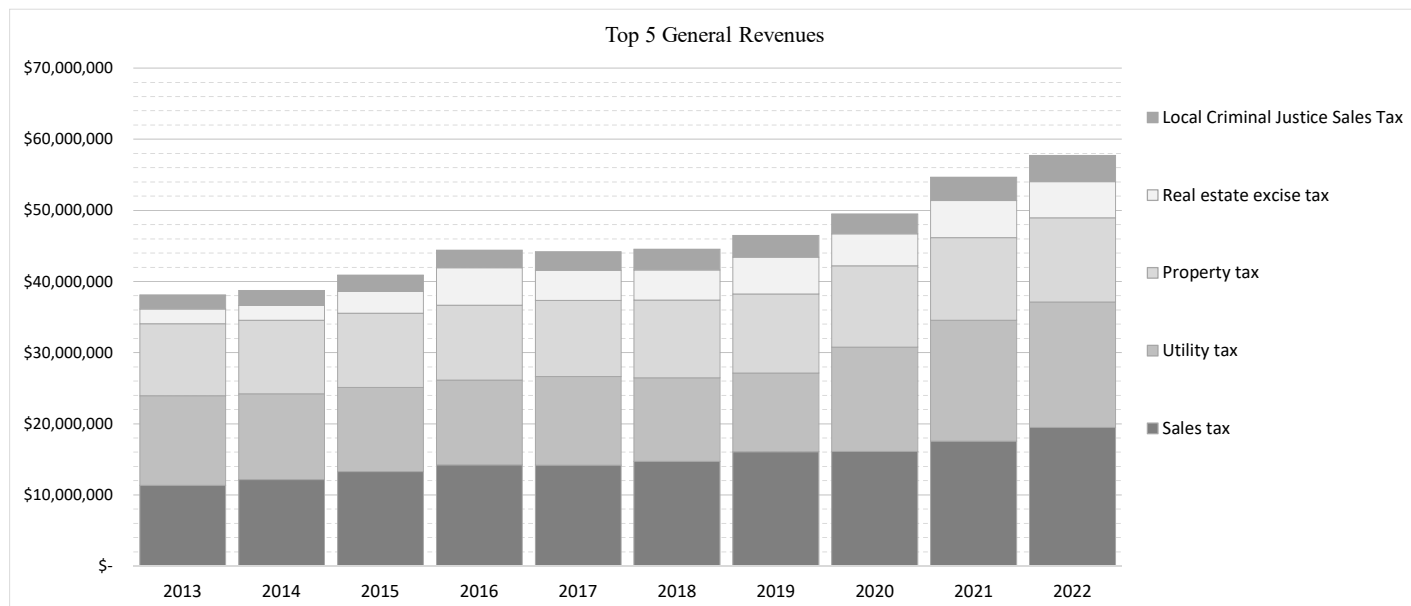


CHANGES IN NET POSITION										
	Last Ten Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 4,575,614	\$ 4,633,942	\$4,743,932	\$4,544,037	\$4,179,619	\$ 4,457,083	\$ 4,620,477	\$ 8,094,395	\$ 8,617,290	\$ 12,605,241
Public safety	27,894,695	29,703,386	32,017,617	36,018,643	36,632,272	35,513,749	38,010,778	34,792,577	28,506,038	37,744,610
Transportation	9,675,727	11,434,659	13,070,260	12,920,893	13,681,482	15,227,484	14,145,856	13,469,874	17,013,504	15,667,466
Utilities	490,916	443,127	476,570	469,237	415,771	487,104	519,163	708,031	469,053	673,328
Natural and economic environment	2,191,487	2,785,807	2,973,437	3,206,414	4,074,379	4,739,077	7,304,691	6,317,075	6,553,374	6,429,127
Social services	1,683,449	1,056,802	1,618,759	1,501,057	1,714,311	1,432,259	1,540,723	1,774,097	2,097,856	1,841,989
Culture and recreation	8,418,920	8,376,205	8,959,555	9,373,278	9,329,314	9,280,828	9,438,271	7,607,707	8,426,616	10,455,294
Interest on long-term debt	1,779,833	1,010,406	461,763	433,729	502,721	542,802	347,437	1,015,414	920,869	1,090,240
Total governmental activities expenses	56,710,640	59,444,335	64,321,893	68,467,288	70,529,869	71,680,386	75,927,396	73,779,171	72,604,600	86,507,295
Business-type activities:										
Surface Water Mgmt	3,234,742	3,653,999	4,093,534	4,408,225	4,385,355	4,620,161	4,864,902	4,989,139	4,550,136	5,664,603
Dumas Bay Center	844,623	945,705	1,250,161	1,104,971	1,179,967	921,839	880,135	565,369	562,093	829,601
Total business-type activities expenses	4,079,365	4,599,703	5,343,695	5,513,196	5,565,322	5,542,000	5,745,037	5,554,507	5,112,229	6,494,204
Total primary government expenses	60,790,005	64,044,038	69,665,588	73,980,484	76,095,191	77,222,386	81,672,433	79,333,678	77,716,829	93,001,499
Program Revenues										
Governmental activities:										
Charges for services										
General government	1,983,033	2,118,896	1,994,674	2,449,406	3,155,863	3,429,034	3,005,077	2,956,619	3,295,593	3,243,809
Public safety	5,022,896	4,637,071	5,295,641	5,701,083	6,014,477	5,897,781	6,142,776	4,019,723	4,353,065	5,333,402
Transportation	577,489	1,804,199	1,362,118	1,565,140	2,886,690	3,322,357	3,440,597	3,192,519	6,102,399	7,938,145
Utilities	299,337	305,742	302,083	304,294	314,842	319,480	431,901	509,311	515,613	590,548
Natural and economic environment	2,201,375	3,059,772	2,698,841	1,766,106	2,171,579	2,806,982	5,385,727	2,215,856	3,404,121	4,555,167
Social services	-	-	-	-	-	-	-	-	14,000	-
Culture and recreation	2,431,603	2,476,383	2,475,852	2,424,129	2,569,962	2,669,174	2,212,816	729,227	1,465,893	1,647,560
Operating grants and contributions	6,007,682	5,410,098	6,544,176	5,638,756	6,238,698	6,099,833	6,082,363	11,195,427	6,647,794	10,736,898
Capital grants and contributions	3,892,651	5,632,549	4,508,428	15,863,183	14,864,266	8,549,593	6,201,345	2,994,083	3,912,242	3,622,398
Total governmental activities program revenue	22,416,065	25,444,710	25,181,813	35,712,097	38,216,377	33,094,234	32,902,602	27,812,765	29,710,720	37,667,927
Business-type activities:										
Charges for services	4,096,751	4,174,613	4,662,995	4,900,530	4,997,202	5,035,591	5,325,584	4,572,984	6,585,691	8,142,556
Operating grants and contributions	774,436	177,518	17,108	68,970	53,282	48,504	31,718	42,348	16,851	177,999
Capital grants and contributions	-	430,090	328,130	790,033	1,078,904	622,735	144,577	122,032	308,379	-
Total business-type activities program revenues	4,871,187	4,782,221	5,008,233	5,759,533	6,129,388	5,706,830	5,501,879	4,737,364	6,910,921	8,320,554
	27,287,252	30,226,931	30,190,046	41,471,630	44,345,765	38,801,064	38,404,481	32,550,129	36,621,641	45,988,481
Net (Expense)/Revenue										
Governmental activities	(34,294,574)	(33,999,625)	(39,140,080)	(32,755,191)	(32,313,492)	(38,586,152)	(43,024,794)	(45,966,406)	(42,893,880)	(48,839,368)
Business-type activities	791,822	182,517	(335,462)	246,337	564,066	164,830	(243,158)	(817,144)	1,798,692	1,826,351
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales tax	11,346,338	12,173,281	13,297,086	14,222,497	14,199,460	14,731,318	16,051,779	16,099,037	17,543,119	19,468,795
Local Criminal Justice Sales Tax	1,992,667	2,138,406	2,319,124	2,499,527	2,616,306	2,934,354	3,056,010	2,799,244	3,303,412	3,679,695
Utility tax	12,584,293	12,028,878	11,796,550	11,902,866	12,425,975	11,719,589	11,102,083	14,672,457	16,995,029	17,630,739
Property tax	10,152,114	10,349,995	10,460,136	10,539,623	10,718,060	10,937,481	11,095,263	11,449,581	11,642,922	11,842,050
Real estate excise tax	2,034,033	2,062,722	3,031,159	5,265,138	4,226,344	4,240,825	5,171,643	4,467,111	5,185,847	5,107,046
Gambling Tax	178,696	176,068	177,807	190,051	210,029	229,524	232,942	147,533	268,398	322,928
Hotel/Motel Tax	208,839	231,828	266,053	283,220	301,603	291,671	290,601	120,482	204,303	282,862
Admissions Tax	-	-	-	-	547,229	867,169	827,537	67,732	597,434	834,953
Leasehold tax	5,989	6,693	6,104	3,784	4,218	4,618	5,898	5,336	3,621	2,612
Affordable and supportive housing sales ta	-	-	-	-	-	-	-	-	130,940	137,474
Local infrastructure financing tool	-	-	-	-	-	-	-	-	999,961	1,000,358
Other	868,261	1,145,798	2,052,748	1,526,995	3,693,915	2,405,133	2,867,900	1,767,417	1,809,665	3,504,224
Gain on sale of capital assets	-	-	-	-	142,935	-	-	-	726,414	-
Loss on investment in joint venture	-	-	-	-	-	-	(16,377,170)	-	-	-
Transfers	(137,419)	(116,000)	(17,959)	633,124	(942,000)	(123,502)	225,307	(183,453)	140,824	(503,272)
Total governmental activities	39,233,811	40,197,580	43,388,808	47,066,825	48,144,074	48,238,180	34,549,793	51,412,477	59,551,889	63,310,464
Business-type activities:										
Other	13,000	22,507	24,917	45,405	60,544	132,692	192,598	54,138	23,196	(129,650)
Transfers	137,419	116,000	17,959	(633,124)	942,000	123,502	(225,307)	183,453	(140,824)	503,272
Total business-type activities	150,419	138,507	42,876	(587,719)	1,002,544	256,194	(32,709)	237,591	(117,628)	373,622
Total primary government	\$ 39,384,230	\$ 40,336,087	\$ 43,431,684	\$ 46,479,106	\$ 49,146,618	\$ 48,494,374	\$ 34,517,085	\$ 51,650,068	\$ 59,434,261	\$ 63,684,086
Change in Net Position										
Governmental activities	\$ 4,939,237	\$ 6,197,955	\$ 4,248,728	\$14,311,632	\$15,830,582	\$ 9,652,028	\$ (8,475,001)	\$ 5,446,071	\$ 16,658,008	\$ 14,471,096
Business-type activities	942,241	321,025	(292,586)	(341,384)	1,566,611	421,024	(275,866)	(579,553)	1,681,064	2,199,973
Prior Period Adjustment	(3,358,477)	(4,944,409)	(37,035,737)	(266,237)	(586,155)	2,009,955	(828,029)	(6,907,134)	(222,321)	(21,614,575)
Net Effect - Change in Accounting for Pensions	-	-	(10,485,698)	-	-	-	-	-	-	-
Effect of Change in Accounting Principle	-	-	-	-	-	-	-	(395,462)	-	-
Total primary government	\$ 2,523,001	\$ 1,574,570	\$ (43,565,293)	\$ 13,704,011	\$ 16,811,038	\$ 12,083,007	\$ (9,578,896)	\$ (2,040,616)	\$ 18,116,751	\$ (4,943,506)
Source: City of Federal Way Finance										
Note: All amounts are reported on the accrual basis.										

Source: City of Federal Way Finance  
Note: All amounts are reported on the accrual basis.

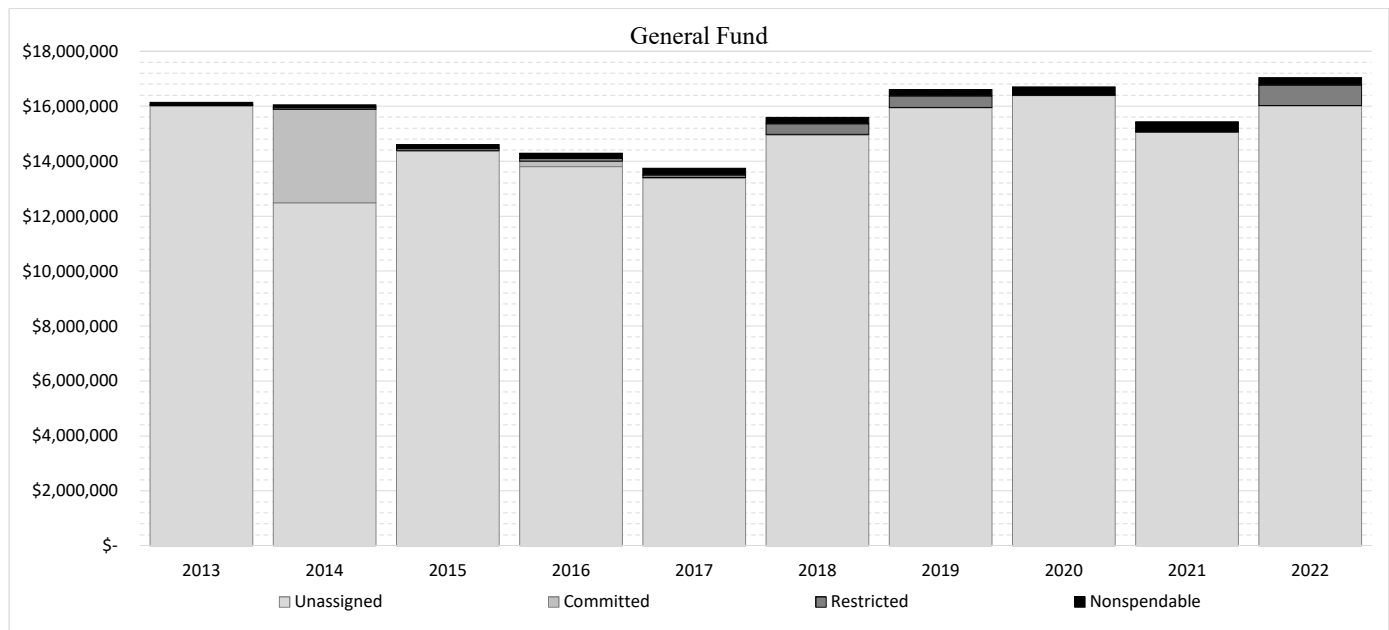
GOVERNMENT-WIDE REVENUES BY SOURCE AND EXPENSES BY FUNCTION										
Last Ten Fiscal Years										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Program Revenues</b>										
Charges for Services	16,612,484	18,576,675	18,792,204	19,110,688	22,110,615	23,480,399	25,944,478	18,196,239	25,736,375	31,451,186
Operating Grants and Contributions	6,782,118	5,587,616	6,561,284	5,707,725	6,291,980	6,148,337	6,114,081	11,237,775	6,664,645	10,914,897
Capital Grants and Contributions	3,892,651	6,062,639	4,836,558	16,653,215	15,943,170	9,172,328	6,345,922	3,116,115	4,220,621	3,622,398
<b>General revenues</b>										
Sales tax	11,346,338	12,173,281	13,297,086	14,222,497	14,199,460	14,731,318	16,051,779	16,099,037	17,543,119	19,468,795
Local Criminal Justice Sales Tax	1,992,667	2,138,406	2,319,124	2,499,527	2,616,306	2,934,354	3,056,010	2,799,244	3,303,412	3,679,695
Utility tax	12,584,293	12,028,878	11,796,550	11,902,866	12,425,975	11,719,589	11,102,083	14,672,457	16,995,029	17,630,739
Property tax	10,152,114	10,349,905	10,460,136	10,539,623	10,718,060	10,937,481	11,095,263	11,449,581	11,642,922	11,842,050
Real estate excise tax	2,034,033	2,062,722	3,031,159	5,265,138	4,226,344	4,240,825	5,171,643	4,467,111	5,185,847	5,107,046
Gambling Tax	178,696	176,068	177,807	190,051	210,029	229,524	232,942	147,533	268,398	322,928
Hotel/Motel Tax	208,839	231,828	266,053	283,220	301,603	291,671	290,601	120,482	204,303	282,862
Admissions Tax	-	-	-	-	547,229	867,169	827,537	67,732	597,434	834,953
Leasehold tax	5,989	6,693	6,104	3,784	4,218	4,618	5,898	5,336	3,621	2,612
Affordable and supportive housing sales tax	-	-	-	-	-	-	-	-	130,940	137,474
Local infrastructure financing tool	-	-	-	-	-	-	-	-	999,961	1,000,358
Other revenue	624,464	883,549	1,820,868	1,159,347	3,149,057	1,932,423	1,581,471	1,269,811	1,664,712	3,186,738
Investment Earnings	256,797	284,757	256,797	413,052	605,402	605,402	1,479,027	551,744	168,150	187,836
Gain on sale of capital assets	-	-	-	-	142,935	-	-	-	726,414	-
<b>Total Revenues</b>	<b>66,671,482</b>	<b>70,563,017</b>	<b>73,621,730</b>	<b>87,950,733</b>	<b>93,492,383</b>	<b>87,295,438</b>	<b>89,298,736</b>	<b>84,200,196</b>	<b>96,055,901</b>	<b>109,672,568</b>
<b>Expenses</b>										
General government	4,575,614	4,633,942	4,743,932	4,544,037	4,179,619	4,457,083	4,620,477	8,094,395	8,617,290	12,605,241
Public safety	27,894,695	29,703,386	32,017,617	36,018,643	36,632,272	35,513,749	38,010,778	34,792,577	28,506,038	37,744,610
Transportation	9,675,727	11,434,659	13,070,260	12,920,893	13,681,482	15,227,484	14,145,856	13,469,874	17,013,504	15,667,466
Utilities	490,916	443,127	476,570	469,237	415,771	487,104	519,163	708,031	469,053	673,328
Natural and economic environment	2,191,487	2,785,807	2,973,437	3,206,414	4,074,379	4,739,077	7,304,691	6,317,075	6,553,374	6,429,127
Social services	1,683,449	1,056,802	1,618,759	1,501,057	1,714,311	1,432,259	1,540,723	1,774,097	2,097,856	1,841,989
Culture and recreation	8,418,920	8,376,205	8,959,555	9,373,278	9,329,314	9,280,828	9,438,271	7,607,707	8,426,616	10,455,294
Interest on long-term debt	1,779,833	1,010,406	461,763	433,729	502,721	542,802	347,437	1,015,414	920,869	1,090,240
Surface Water Management	3,234,742	3,653,999	4,093,534	4,408,225	4,385,355	4,620,161	4,864,902	4,989,139	4,550,136	5,664,603
Dumas Bay Centre	844,623	945,705	1,250,161	1,104,971	1,179,967	921,839	880,135	565,369	562,093	829,601
Loss on investment in joint venture	-	-	-	-	-	-	16,377,170	-	-	-
<b>Total Expenses</b>	<b>\$ 60,790,005</b>	<b>\$ 64,044,038</b>	<b>\$ 69,665,588</b>	<b>\$ 73,980,484</b>	<b>\$ 76,095,191</b>	<b>\$ 77,222,386</b>	<b>\$ 98,049,603</b>	<b>\$ 79,333,678</b>	<b>\$ 77,716,829</b>	<b>\$ 93,001,499</b>

Source: City of Federal Way Finance



FUND BALANCES OF GOVERNMENTAL FUNDS											
Last Ten Fiscal Years											
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General fund</b>											
	Nonspendable	76,538	105,417	136,806	187,284	252,550	229,870	232,353	270,772	349,356	268,916
	Restricted	39,081	54,526	71,106	108,147	94,452	389,286	413,128	27,000	27,000	740,525
	Committed	21,893	3,403,937	34,513	199,013	19,350	19,350	19,350	9,350	8,350	8,350
	Unassigned	16,003,076	12,480,539	14,362,533	13,794,955	13,380,039	14,954,243	15,936,195	16,386,570	15,049,968	16,014,094
<b>Total general fund</b>		<b>16,140,587</b>	<b>16,044,419</b>	<b>14,604,958</b>	<b>14,289,399</b>	<b>13,746,391</b>	<b>15,592,749</b>	<b>16,601,026</b>	<b>16,693,692</b>	<b>15,434,674</b>	<b>17,031,885</b>
<b>All Other Governmental Funds</b>											
	Nonspendable	-	-	-	-	-	-	-	-	32,414	31,552
	Restricted	17,478,394	17,231,330	19,985,302	21,077,165	20,065,209	20,297,047	18,232,978	19,624,713	21,224,388	30,442,395
	Committed	16,371,292	19,530,016	17,114,881	13,932,351	12,705,135	9,772,048	9,856,449	11,321,035	19,241,059	22,303,755
	Unassigned	-	-	-	-	(8,124,951)	(7,798,938)	(110,546)	-	-	(1,417,392)
<b>Total all other governmental funds</b>		<b>\$ 33,849,686</b>	<b>\$ 36,761,346</b>	<b>\$ 37,100,183</b>	<b>\$ 35,009,516</b>	<b>\$ 24,645,393</b>	<b>\$ 22,270,157</b>	<b>\$ 27,978,881</b>	<b>\$ 30,945,748</b>	<b>\$ 40,497,861</b>	<b>\$ 51,360,310</b>

Source: City of Federal Way Finance  
Note: Fund Balance reclassification implementation of GASB 54 for year's 2010 and forward.



CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS											
Last Ten Fiscal Years											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Revenues											
Taxes	\$ 38,505,413	\$ 39,241,915	\$41,387,894	\$44,898,868	\$45,217,429	\$ 46,010,789	\$ 47,873,895	\$ 49,918,537	\$ 56,810,109	\$ 60,380,556	
Licenses and permits	2,638,017	3,311,671	3,574,648	3,140,133	4,125,619	4,615,508	5,709,234	3,844,916	3,806,346	5,058,166	
Intergovernmental	9,682,511	9,929,833	8,910,603	19,783,107	18,184,915	11,181,594	11,198,229	13,390,866	9,242,639	13,342,156	
Charges for goods and services	5,965,726	7,591,795	6,467,528	6,934,789	8,523,064	9,580,273	10,432,547	6,884,552	11,467,556	13,931,150	
Fines and penalties	3,911,990	3,498,596	4,087,033	4,135,236	4,464,730	4,249,027	4,477,112	2,893,787	3,781,245	4,414,853	
Investment earnings	172,049	250,439	210,289	308,643	442,466	761,544	1,042,537	421,062	140,423	534,095	
Miscellaneous revenues	678,850	883,549	1,820,867	1,159,348	3,149,057	1,459,061	1,581,467	1,131,036	1,660,212	2,582,074	
Total revenues	61,554,556	64,707,798	66,458,862	80,360,124	84,107,280	77,857,796	82,315,021	78,484,756	86,908,530	100,243,050	
Expenditures											
General government	4,495,029	4,444,772	4,707,145	4,541,228	4,390,464	4,680,000	4,854,271	8,090,399	10,052,750	12,982,954	
Public safety	29,028,242	31,235,230	32,471,782	35,655,951	37,702,987	38,033,215	39,253,042	34,780,390	33,815,555	37,318,519	
Transportation	5,672,769	6,209,000	7,109,395	7,162,201	8,480,485	9,991,409	9,091,521	8,490,601	12,998,986	11,292,883	
Utilities	468,220	461,718	478,807	452,720	425,900	486,418	515,766	537,419	562,166	681,468	
Natural and economic environment	2,190,502	2,786,542	2,960,841	3,180,808	4,195,093	4,893,032	5,845,587	4,890,884	5,555,574	6,312,044	
Social services	1,681,986	1,057,841	1,617,818	1,497,793	1,720,324	1,439,522	1,550,027	1,777,443	2,134,256	1,863,753	
Culture and recreation	6,183,381	6,246,952	6,787,491	7,032,133	7,173,699	7,197,424	7,442,656	5,868,240	7,450,267	8,960,194	
Debt Service						-					
Principal	1,019,698	963,500	640,482	470,000	8,853,960	659,000	13,041,847	1,890,181	1,948,716	6,802,619	
Interest/fiscal charges/admin fees	1,781,778	1,021,945	491,379	471,738	547,501	592,562	1,114,699	1,078,701	1,041,374	1,229,238	
Capital Outlay	8,987,949	17,508,958	10,237,386	26,745,849	29,161,278	11,807,497	10,612,471	6,643,797	3,651,288	16,714,534	
Total expenditures	61,509,554	71,936,458	67,502,526	87,210,421	102,651,691	79,780,079	93,321,887	74,048,055	79,210,933	104,158,207	
Excess of revenues over (under) expenditures	45,002	(7,228,660)	(1,043,664)	(6,850,297)	(18,544,411)	(1,922,283)	(11,006,866)	4,436,701	7,697,596	(3,915,158)	
Other Financing Sources (Uses)											
Lease	-	-	-	-	-	-	-	-	-	9,740,251	
GO bond proceeds	12,415,000	-	-	2,925,000	6,105,000	-	15,785,000	-	-	-	0
Bond principal payoff	(11,955,000)	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	5,500	-	-	-	2,187,756	-	-	-	-	726,414	-
Anticipation note	-	8,209,960	-	-	-	-	-	-	-	-	-
Bond premium	410,660	-	-	-	-	-	1,714,668	-	-	-	-
Transfers in	18,972,853	40,440,790	14,422,187	21,043,890	21,606,659	18,245,170	18,814,496	19,279,266	19,577,435	20,544,916	
Transfers out	(18,731,107)	(38,606,598)	(14,479,146)	(19,524,820)	(22,262,134)	(18,868,672)	(18,590,297)	(20,260,972)	(19,519,697)	(21,247,649)	
Total other financing sources (uses)	1,117,906	10,044,152	(56,959)	4,444,070	7,637,281	(623,502)	17,723,867	(981,706)	784,152	9,037,518	
Net change in fund balances	\$ 1,162,908	\$ 2,815,492	\$ (1,100,623)	\$ (2,406,227)	\$ (10,907,130)	\$ (2,545,785)	\$ 6,717,001	\$ 3,454,995	\$ 8,481,749	\$ 5,122,360	
Debt service as a percentage of noncapital expenditures	5.3%	3.6%	2.0%	1.6%	12.8%	1.8%	17.1%	4.4%	4.0%	9.2%	
Source: City of Federal Way Finance											

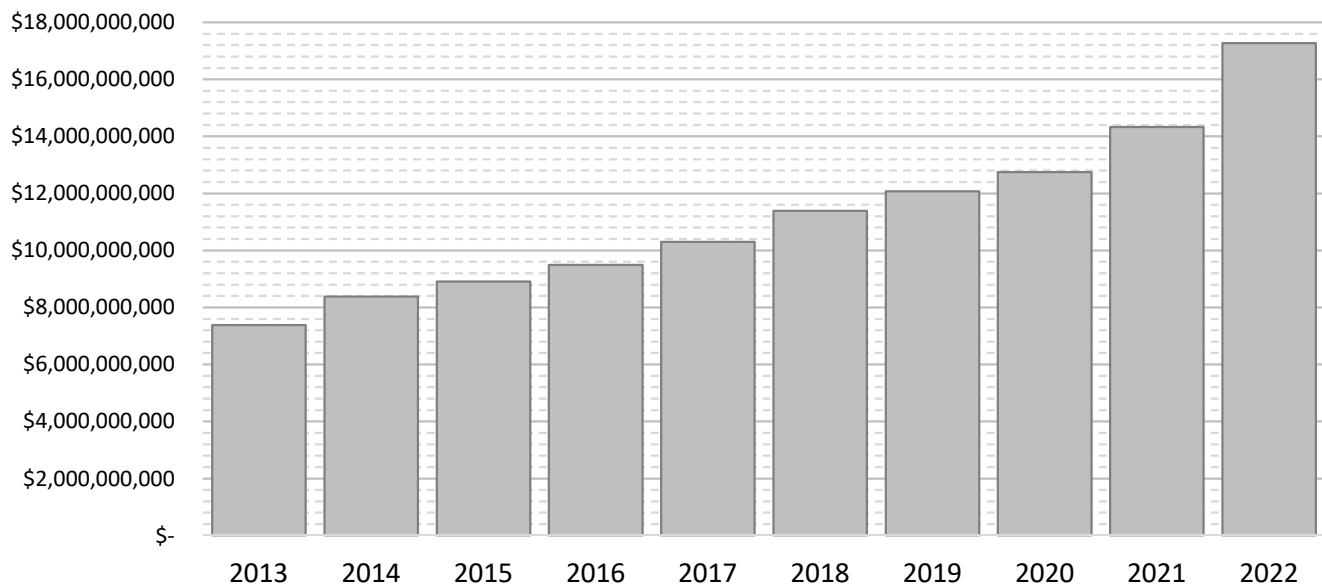
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY\*****Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>State Public Service Property</b>	<b>Total</b>	<b>Total City Direct Tax Rate</b>	<b>Percent Increase (Decrease)</b>
2013	7,076,203,165	212,126,219	97,686,143	7,386,015,527	1.42	3.4%
2014	8,043,211,679	223,362,313	109,128,234	8,375,702,226	1.40	13.4%
2015	8,550,055,199	233,032,732	122,206,127	8,905,294,058	1.25	6.3%
2016	9,148,479,809	228,742,814	112,214,847	9,489,437,470	1.19	6.6%
2017	9,969,974,857	214,620,795	114,210,407	10,298,806,059	1.13	8.5%
2018	11,055,217,680	217,489,810	120,431,238	11,393,138,728	1.06	10.6%
2019	11,742,528,500	220,795,517	112,121,337	12,075,445,354	0.97	6.0%
2020	12,401,741,077	234,678,332	111,582,064	12,748,001,473	0.90	5.6%
2021	13,949,752,780	255,143,371	118,980,306	14,323,876,457	0.82	12.4%
2022	16,887,058,644	249,678,417	133,485,025	17,270,222,086	0.69	20.6%

\* Real, personal, and state public service property has been assessed at 100% of the estimated value.

Source: King County Assessor's Office.

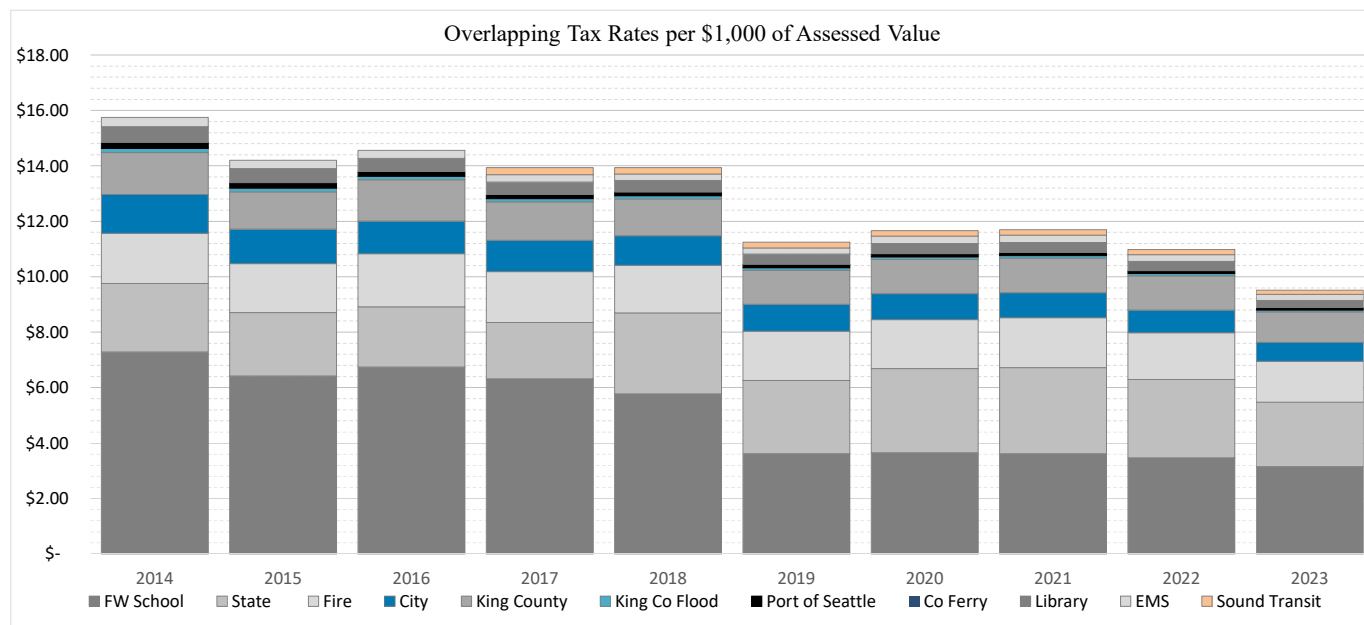
Note: These figures include all final tax adjustments, non-taxable, senior citizen exempted property and omits. The total assessed value was reduced by non-taxable of \$117,376,517 yielding a taxable assessed value of \$17,152,845,569. The taxable assessed valuations are the basis for the following year's tax levy amount, expected to be received in the following year.

**Total Taxable Assessed Value**

PROPERTY TAX RATES AND LEVIES, DIRECT AND OVERLAPPING GOVERNMENTS												
Last Ten Fiscal Years												
Fiscal Year	City Direct Rates*	Overlapping Rates										
	City of Federal Way	Federal Way School District #210	King County	Washington State	King County Flood Zone	Port of Seattle	County Ferry District	Fire District #39	Library	Emergency Medical Services	Sound Transit	Total
TAX RATES PER \$1,000 OF ASSESSED VALUATION												
2013	1.42	7.55	1.54	2.57	0.13	0.23	0.004	1.82	0.57	0.30	-	16.14
2014	1.40	7.28	1.52	2.47	0.15	0.22	0.003	1.81	0.56	0.34	-	15.75
2015	1.25	6.42	1.35	2.29	0.14	0.19	-	1.77	0.50	0.30	-	14.20
2016	1.19	6.75	1.48	2.17	0.13	0.17	-	1.91	0.48	0.28	-	14.55
2017	1.13	6.32	1.38	2.03	0.12	0.15	-	1.83	0.45	0.26	0.250	13.93
2018	1.06	5.77	1.33	2.92	0.11	0.14	-	1.73	0.41	0.24	0.230	13.94
2019	0.97	3.63	1.22	2.63	0.10	0.12	-	1.77	0.37	0.22	0.207	11.24
2020	0.94	3.66	1.24	3.03	0.09	0.12	-	1.76	0.36	0.27	0.199	11.70
2021	0.90	3.63	1.25	3.09	0.09	0.12	-	1.80	0.36	0.26	0.197	11.00
2022	0.82	3.47	1.24	2.82	0.08	0.11	-	1.69	0.33	0.25	0.184	10.97
2023	0.69	3.16	1.09	2.31	0.07	0.09	-	1.48	0.26	0.21	0.156	9.51
DETAIL OF TAX RATES FOR 2022												
Basic Rate	0.69	-	0.48	3.09	0.09	0.05	-	1.38	0.23	-	-	6.02
Voted Rate	-	3.16	0.61	-	-	0.04	-	0.09	0.03	0.21	0.16	4.29
TAX LEVIES												
2013	10,081,231	74,591,150	482,114,428	803,686,293	41,355,065	73,020,604	1,183,773	20,431,912	109,665,815	93,899,062	93,899,062	1,803,928,395
2014	10,240,148	74,592,913	482,114,428	837,694,800	52,112,348	73,018,695	1,183,251	20,866,842	116,790,442	113,565,682	113,565,682	1,895,745,231
2015	10,379,941	75,700,006	519,943,107	883,333,788	53,576,135	73,003,848	-	23,587,509	120,007,126	116,779,587	116,779,587	1,993,090,634
2016	10,487,319	85,094,113	626,660,985	921,288,805	55,134,677	72,015,418	-	26,636,830	123,025,026	119,904,362	119,904,362	2,160,151,897
2017	10,657,115	85,155,041	649,375,369	954,266,653	55,133,687	72,010,667	-	27,439,155	126,375,001	123,505,903	106,640,644	2,210,559,235
2018	10,859,759	85,330,454	707,011,071	1,552,188,670	57,041,494	72,012,219	-	28,961,832	129,764,539	127,502,843	110,339,112	2,881,011,993
2019	11,016,216	59,625,680	736,756,333	1,587,836,640	58,405,697	74,161,765	-	33,104,461	133,159,796	131,551,555	114,223,905	2,939,842,048
2020	11,224,365	63,784,140	792,250,971	1,934,626,486	58,839,186	76,396,431	-	34,924,871	136,837,494	169,447,875	116,448,205	3,394,780,025
2021	11,413,786	66,616,227	817,693,701	2,024,310,896	58,483,390	78,668,517	-	37,409,197	140,212,260	173,904,358	118,157,039	3,526,869,370
2022	11,609,080	72,408,289	881,727,864	2,022,731,808	58,595,894	80,981,317	-	39,612,568	144,332,025	178,629,630	120,085,198	3,610,713,674
2023	11,788,962	80,276,169	953,465,344	2,021,958,697	58,874,554	82,645,321	-	34,802,594	127,055,758	183,320,330	122,595,074	3,676,782,802

Source: King County Assessor's Office and King County Department of Finance

\*The City of Federal Way's Direct Rate has only one component which is the expense levy.





PRINCIPAL TAXPAYERS Current Year and Nine Years Ago							
Taxpayer	Type of Business	2022			2013		
		Tax Year			Tax Year		
		Assessed Valuation	Rank	% of Total (A) Assessed Valuation	Assessed Valuation	Rank	% of Total (A) Assessed Valuation
GEP X STAR LAKE LLC		151,000,000	1	13.19%			
FEDERAL WAY CAMPUS LLC		133,249,100	2	11.64%			
PRIME WOODLEY CAMPUS DR		114,253,000	3	9.98%			
AVANATH FEDERAL WAY LLC		88,193,000	4	7.70%			
ATR LLC		87,561,000	5	7.65%			
RHB MIRO OWNER LLC		78,000,000	6	6.81%			
MERLONE GEIER PARTNERS		71,341,800	7	6.23%			
GREYSTONE MEADOWS APTS		65,987,000	8	5.76%			
KNL VISION		62,562,000	9	5.47%			
BMF IV WA RETREAT MAPLE HIL		59,500,000	10	5.20%			
PRIME CATALINA CAMPUS DR II		59,500,000	11	5.20%			
PRIDEROCK CAPITAL MGMNT		58,218,500	12	5.09%			
PRIME CATALINA CAMPUS DR		58,000,000	13	5.07%			
COVE APARTMENTS LLC		57,293,000	14	5.01%			
Weyerhaeuser					113,070,028	1	23.45%
Puget Sound Energy-Elec/Gas					58,272,997	2	12.08%
LBA Realty					32,470,300	5	6.73%
Qwest Corporation Inc.					27,311,903	6	5.66%
Forest Cove LLC					25,876,000	7	5.37%
KNL Vision WA LLC (formerly BRE Properties)					24,285,000	8	5.04%
Fred Meyer					21,087,400	9	4.37%
Costco					18,788,019	10	3.90%
Virginia Mason					17,306,840	11	3.59%
IA Orchard Hotels Federal Way (formerly Apple Hospitality Five Inc.)					15,029,200	12	3.12%
Campus Business Parks LLC					12,027,400	13	2.49%
ANS LLC					11,899,300	14	2.47%
		<b>\$ 1,144,658,400</b>		<b>100.00%</b>	<b>\$ 482,237,787</b>		<b>100.00%</b>

Source: King County Assessor's Office.

(A) 2022 and 2013 regular assessed valuation for the City of Federal Way was \$14,324,776,457 and \$7,143,090,985 respectively.

PRINCIPAL TAXPAYERS-SALES TAXES									
2022					2013				
Sales Tax Received	Sector	Location	Rank	% of Total City Sales Taxes Received	Sales Tax Received	Sector	Location	Rank	% of Total City Sales Taxes Received
\$ 1,014,561	General Merchandise Stores	S 348th	1	5.21%	\$ 658,155	General Merchandise Stores	S 312th & S 316th	1	5.80%
775,339	General Merchandise Stores	S 312th & S 316th	2	3.98%	625,489	General Merchandise Stores	S 348th	2	5.51%
605,996	Construction	S 348th	3	3.11%	317,823	Building Material and Garden Equipment and Supplies	S 348th	3	2.80%
527,643	Miscellaneous Store Retailers	Other	4	2.71%	285,432	General Merchandise Stores	Other	4	2.52%
320,060	Miscellaneous Store Retailers	Other	5	1.64%	262,548	General Merchandise Stores	Commons	5	2.31%
311,723	Building Material and Garden Equipment and Supplies	Other	6	1.60%	224,653	Motor Vehicle and Parts Dealer	Other	6	1.98%
301,361	General Merchandise Stores	Other	7	1.55%	199,451	Electronics and Appliances	Pavillion	7	1.76%
294,321	General Merchandise Stores	Commons	8	1.51%	178,927	Building Material and Garden	S 348th	8	1.58%
277,908	Motor Vehicle and Parts Dealers	Other	9	1.43%	136,922	General Merchandise Stores	Commons	9	1.21%
251,107	Construction	Other	10	1.29%	124,896	General Merchandise Stores	Commons	10	1.10%
<b>\$ 4,680,019</b>				<b>24.04%</b>	<b>\$ 3,014,296</b>				<b>26.57%</b>

Source: Washington State Department of Revenue

Note: It is illegal to disclose specific taxpayer sales tax information. The above information is being provided without identification.  
The City received \$19.47M in sales and use tax in 2021, and \$11.35M in 2013.

PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years								
Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Current Tax Amount	Percentage of Levy		Total Tax Amount	Percentage of Levy		
2013	10,081,231	9,848,925	97.7%	37,272	10,029,029	99.5%	195,033	1.9%
2014	10,240,148	10,035,433	98.0%	56,371	10,091,805	98.6%	148,343	1.4%
2015	10,379,941	10,188,421	98.2%	39,138	10,227,559	98.5%	152,382	1.5%
2016	10,487,319	10,254,720	97.8%	72,477	10,327,198	98.5%	160,121	1.5%
2017	10,657,115	10,433,533	97.9%	22,380	10,455,913	98.1%	201,202	1.9%
2018	10,859,759	10,651,535	98.1%	9,171	10,660,706	98.2%	199,053	1.8%
2019	11,016,216	10,749,642	97.6%	104,877	10,854,519	98.5%	161,697	1.5%
2020	11,224,365	10,982,389	97.8%	40,041	11,022,430	98.2%	201,935	1.8%
2021	11,413,786	11,164,823	97.8%	2,017	11,166,840	97.8%	246,946	2.2%
2022	11,609,080	11,403,143	98.2%	19,598	11,422,741	98.4%	186,339	1.6%
Source: Data has been derived from the "Annual Tax Receivable Summary" prepared by the King County Finance. Note: These figures include tax adjustments such as omits, refunds, and senior citizen exempted property.								

**RATIO OF OUTSTANDING DEBT BY TYPE**  
**For the Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business Type Activities	Total Primary Government	% of Personal Income (b)	Per Capita (b)
	General Obligation Bonds	Certificates of Participation	Public Works Trust Fund Loan			
2013	27,427,060	-	662,958	27,679,358	0.097%	309
2014	35,112,075	-	480,600	35,592,675	0.058%	395
2015	34,053,836	-	384,481	34,438,317	0.079%	379
2016	36,055,111	-	288,361	36,343,472	0.076%	388
2017	32,858,171	-	192,241	33,050,412	0.088%	343
2018	31,733,611	-	96,120	31,829,731	0.095%	329
2019	35,424,170	-	-	35,424,170	0.089%	362
2020	33,470,702	-	-	33,470,702	0.093%	340
2021	31,401,480	-	-	31,401,480	0.104%	309
2022	24,641,363	-	-	24,641,363	0.140%	242

Source: City of Federal Way Finance Department

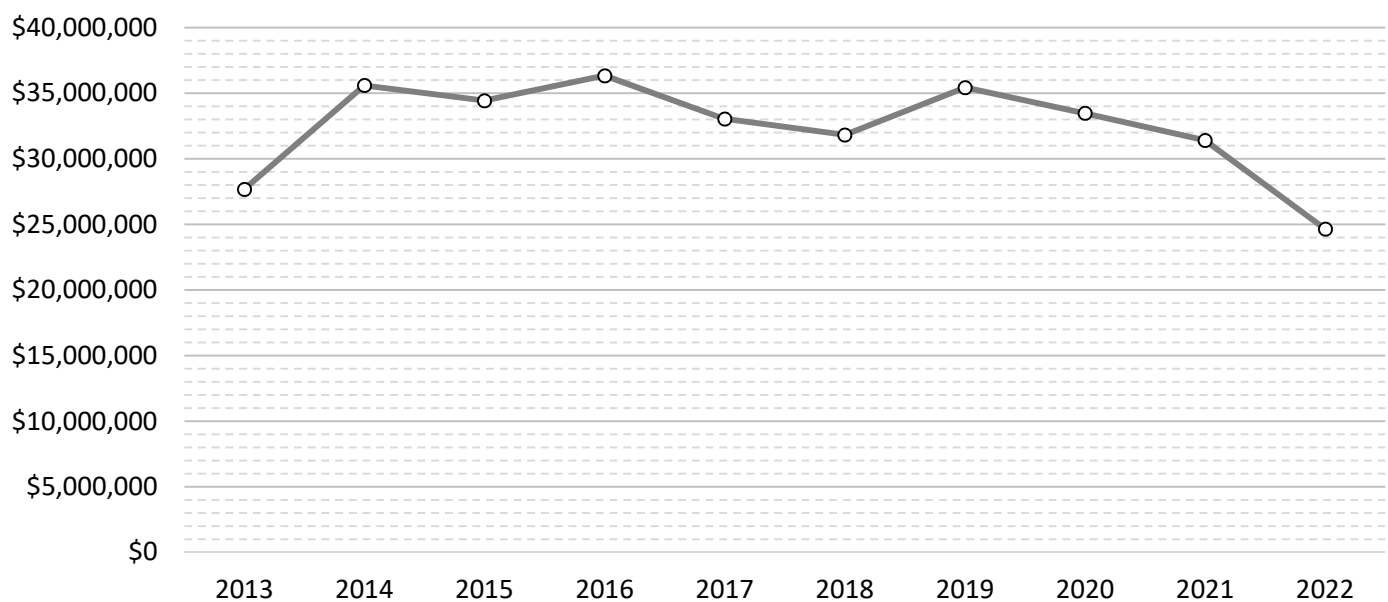
Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See Demographic Statistics schedule for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

(a) General Obligation Bonds is adjusted by bond issuance premiums and discounts

(b) Per capita income information for Federal Way based on US Census Bureau - Quickfacts.

**Total Primary Government Debt**



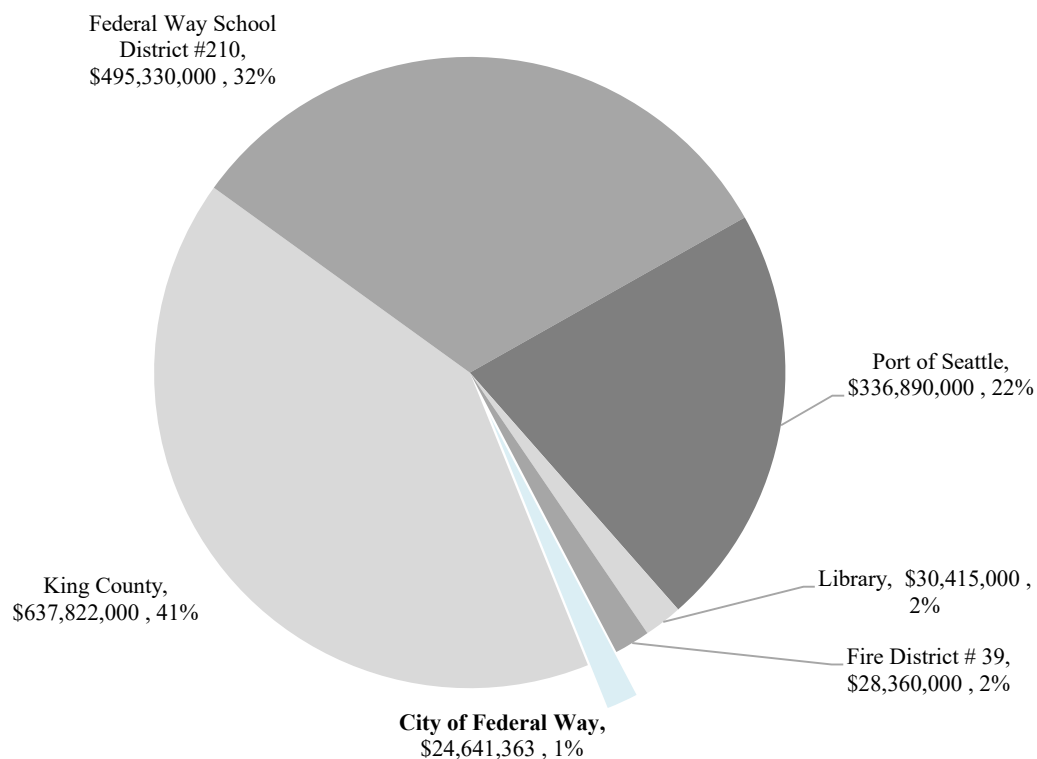
<b>RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA</b> <b>For the Last Ten Fiscal Years</b>							
<b>Fiscal Year</b>	<b>(A) Population</b>	<b>(B) Assessed Value</b>	<b>(C) Gross Bonded Debt</b>	<b>Less Restricted for Debt</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt To Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2013	89,718	7,386,015,527	27,679,358	5,248,336	22,431,022	0.0030	250.02
2014	90,147	8,375,702,226	35,592,675	2,136,390	33,456,285	0.0040	371.13
2015	90,764	8,905,294,058	34,438,317	2,283,702	32,154,615	0.0036	354.27
2016	93,670	9,489,437,470	36,343,472	2,508,514	33,834,958	0.0036	361.21
2017	96,350	10,298,806,059	33,050,412	3,492,598	29,557,814	0.0029	306.78
2018	96,690	11,393,138,728	31,829,731	2,335,532	29,494,199	0.0026	305.04
2019	97,840	12,075,445,354	35,424,170	3,698,800	31,725,370	0.0026	324.26
2020	98,340	12,748,001,473	33,470,702	3,569,746	29,900,956	0.0023	304.06
2021	101,700	14,323,876,457	31,401,480	3,192,943	28,208,537	0.0020	277.37
2022	101,800	17,270,222,086	24,641,363	1,918,922	22,722,441	0.0013	223.21

(A) Sources: State of Washington Office of Financial Management Population Estimates.

(B) The final certified Regular Levy assessed valuation of all taxable property by the King County Assessor's Office for use in calculating levy rates for the following year's tax roll. The total assessed valuation of \$17,270,222,086 has been reduced by non-taxable of \$117,376,517 to arrive at taxable assessed valuation of \$17,152,845,569

(C) Includes general obligation debt issued in 2013, 2017, and 2019.  
Source: City of Federal Way Finance

COMPUTATION OF DIRECT AND OVERLAPPING DEBT				
December 31, 2022				
Jurisdiction	(A) Gross General Obligation Debt Outstanding		(B) Percentage Applicable to Federal Way	Amount Applicable to Federal Way
King County	\$ 637,822,000		1.98%	\$ 12,645,404
Port of Seattle	336,890,000		1.98%	6,679,152
Federal Way School District #210	495,330,000		67.53%	334,505,480
Fire District # 39	28,360,000		60.29%	17,099,177
Library	30,415,000		3.75%	1,139,768
Sound Transit	1,951,210,000		2.38%	46,414,920
<b>Total Overlapping Debt</b>	<b>3,480,027,000</b>			<b>418,483,903</b>
CITY OF FEDERAL WAY	24,641,363	(C)	1.98%	488,538
<b>Total Direct and Overlapping Debt</b>	<b>\$ 3,504,668,363</b>			<b>\$ 418,972,441</b>
<p>(A) Total general obligation bonds outstanding at the year end, exclusive of available cash in debt service funds, proprietary-type debt, credit enhancement and hotel/motel debt. Source: King County Financial Accounting Unit</p> <p>(B) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit. Source: King County Assessor's Office</p> <p>(C) Includes general obligation debt issued in 2013, 2017, and 2019. Source: City of Federal Way Finance</p>				



## COMPUTATION OF LIMITATION OF INDEBTEDNESS

December 31, 2022

DESCRIPTION		General Debt Capacity		Excess Levy Open Space and Park	Excess Levy Utility Purposes	Total Debt Capacity
		(Limited) Councilmanic	(Unlimited) Excess Levy			
Statutory debt limit: (2022 TAV=\$17,152,845,569 (A))						
	1.50% AV @ 100%	\$ 257,292,684	\$ (257,292,684)	\$ -	\$ -	\$ -
	2.50% AV @ 100%	-	428,821,139	428,821,139	428,821,139	1,286,463,418
Add:	Cash reserved for					
	debt redemption (B)	1,918,922	-	-	-	1,918,922
Less:	Bonds and COPs outstanding	(24,641,363)	-	-	-	(24,641,363)
Remaining Debt Capacity		\$ 234,570,243	\$ 171,528,456	\$ 428,821,139	\$ 428,821,139	\$ 1,263,740,977
	Total Remaining "General" Capacity	\$406,098,698				

(A) This figure represents the City's final total taxable assessed valuation (TAV) for 2022 which was used to determine the 2023 property tax levy.

(B) Reflects debt service fund balance as of 12/31/2022.

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a % of debt limit
2012	535,712,398	(25,612,462)	510,099,936	4.78%
2013	550,022,093	(25,064,092)	524,958,001	4.56%
2014	623,929,441	(32,566,971)	591,362,470	5.22%
2015	663,674,591	(31,372,958)	632,301,633	4.73%
2016	706,516,822	(33,217,046)	673,299,776	4.70%
2017	767,010,483	(29,080,802)	737,929,681	3.79%
2018	848,706,079	(29,163,068)	819,543,011	3.44%
2019	897,930,693	(29,826,753)	868,103,940	3.32%
2020	948,399,451	(28,065,626)	920,333,825	2.96%
2021	1,065,772,375	(22,722,441)	1,043,049,934	2.13%
2022	1,286,463,418	(22,722,441)	1,263,740,977	1.77%

Source: City of Federal Way Finance

(A) King County Department of Finance

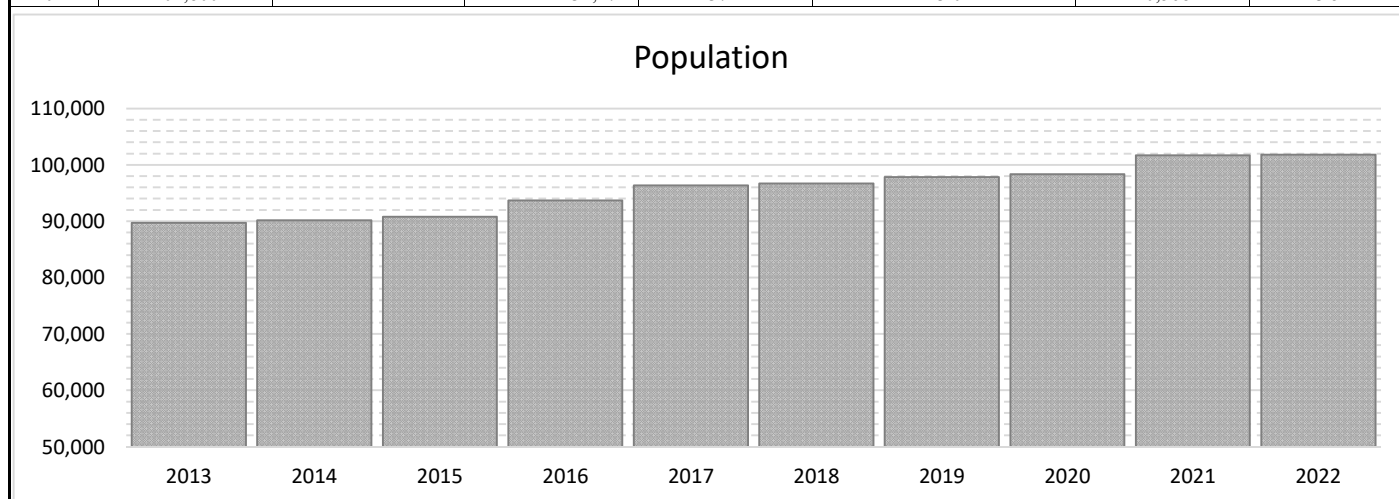
Note: Under state law, the city's outstanding general obligation debt should not exceed 15 percent of total assessor's property value.

By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<b>RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION            BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES NET OF DEBT SERVICE EXPENSE</b>					
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest *</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
2013	1,050,430	1,413,862	2,464,292	57,934,989	4.3%
2014	995,300	985,475	1,980,775	48,877,840	4.1%
2015	771,120	495,359	1,266,479	48,845,021	2.6%
2016	566,120	475,073	1,041,193	52,159,793	2.0%
2017	8,950,080	491,866	9,441,946	62,791,020	15.0%
2018	755,120	510,355	1,265,475	57,745,591	2.2%
2019	13,137,967	875,332	14,013,298	70,531,852	19.9%
2020	1,063,445	1,460,181	2,523,626	58,771,816	4.3%
2021	1,948,716	1,019,543	2,968,258	61,262,509	4.8%
2022	6,620,656	952,173	7,572,829	76,684,050	9.9%
Source: City of Federal Way Finance Note: * Interest excludes bond issuance, annual agent fee and debt registration costs.					



DEMOGRAPHIC STATISTICS							
Fiscal Year	Population	Personal Income Sea-Tac-Bel [D]	Per Capita Income [C]	Median Age [C]	Education Level in Years of Formal Schooling	School Enrollment (A)	Unemployment Rate (B)
2013	89,718	199,243,414,000	26,740	34.9	13.0	21,554	7.4%
2014	90,147	213,700,152,000	20,481	35.1	13.0	21,772	6.2%
2015	90,764	227,827,122,000	27,145	35.7	13.0	21,979	5.3%
2016	93,670	245,230,664,000	27,483	35.7	13.0	21,673	4.9%
2017	96,350	267,653,500,000	28,947	35.9	13.0	22,522	4.4%
2018	96,690	293,954,143,000	30,288	36.9	13.0	22,309	4.1%
2019	97,840	310,717,787,000	31,438	35.9	13.0	23,318	4.0%
2020	98,340	323,176,255,000	31,744	35.8	13.0	21,922	6.8%
2021	101,700	358,128,607,000	32,788	36.2	13.0	20,058	4.2%
2022	101,800	N/A	34,474	37.4	13.0	20,568	3.5%



- (A) Includes public school enrollment. Kindergarten is included though not State mandated.
- (B) Unemployment rates came from ESDWAGOV-Resident Civilian Labor Force & Employment in Federal Way
- (C) Per Capital Income for Federal Way came <https://censusreporter.org/profiles>
- (D) Personal income information is for Seattle-Tacoma-Bellevue area provided by the Bureau of Economic Analysis, information for 2022 not available. 2022 data for Personal Income to be published fall of 2023.

Sources: Data was obtained from U. S. Census Bureau  
 Employment Security Department/DATA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics  
 US Department of Commerce, Bureau of Economic Analysis  
 School data was provided by the Federal Way School District.

PRINCIPAL EMPLOYERS Current Year and Nine Years Ago							
Taxpayer	Type of Business	2022			2013		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Federal Way Public Schools	Educational Services	2,349	1	4.90%	2,185	1	7.89%
St Francis Hospital	Medical Services	996	2	2.08%	875	4	2.67%
World Vision Inc	Christian Relief Agency-Nonprofit	1,712	3	3.57%	852	6	2.60%
Western WA Corp of Seventh Day Ad	Non-Profit Church Organization	500	4	1.04%			
US Postal Service - Bulk Mail	Postal Service	600	5	1.25%	616	7	1.88%
City Of Federal Way	Government Services	339	6	0.71%	476	8	1.45%
Wal-Mart #3794	Retail	376	7	0.78%	386	9	1.18%
Community Integrated Services	Health Services	364	8	0.76%			
Costco Wholesale Corporation	Wholesale	352	9	0.73%	226	12	0.65%
Virginia Mason Federal Way	Medical Services	325	10	0.68%	253	11	0.72%
Korean Women's Association	Professional Services	267	11	0.56%			
Fred Meyer	Retail	303	12	0.63%	220	14	0.67%
Home Depot USA Inc. #4703	Retail	196	13	0.41%			
Wal-Mart #2571	Retail	228	14	0.48%	183	15	0.56%
MAKSU Inc.	Social Services	220	15	0.46%			
BergerABAM Inc	Engineering/Architectural				220	13	
Davita	Health Services				318	10	
Wild Waves	Amusement Center				871	5	
Weyerhaeuser Company	Lumber Products				1,321	3	3.54%
Xerox Commercial Services	Business Services				1,350	2	3.70%

Sources: City of Federal Way Business License. City of Federal Way Business Licensing was outsourced to State of Washington DOR, effective October 2019.  
Employment Security Department/DATA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics  
Note: Principal Employers - includes both full-time and part-time employees.

PROPERTY VALUE AND CONSTRUCTION						
Year	Commercial Construction (A)		Residential Construction (A)		Multi-Family Construction (A)	
	Permits	Value (In Thousands)	Permits	Value (In Thousands)	Permits	Value (In Thousands)
2013	162	22,891	369	33,260	131	5,442
2014	220	35,923	359	30,923	53	61,511
2015	181	73,654	343	20,341	109	104,115
2016	172	18,547	292	19,804	80	18,667
2017	210	26,817	320	24,455	119	10,992
2018	158	54,207	310	29,612	45	2821
2019	133	157,502	304	27,267	129	34,940
2020	138	29,230	249	14,837	129	4,241
2021	159	81,122	294	17,239	281	9,502
2022	121	145,108	292	23,329	84	79,054

**Sources & Notes:**

(A) Federal Way Community Development Department. Construction includes alterations.  
 Other building-related permits (plumbing, electrical, mechanical, fire alarm, etc.) numbering 3,102 and valued at \$39,266,754 are excluded.

CAPITAL ASSETS BY FUNCTION											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Transportation</b>											
Street (Center Line Miles)	249	249	249	249	254	254	257	257	257	257	
Signals WSDOT-owned and maintained	6	6	6	6	6	6	6	6	6	2	
Signals WSDOT-owned and County-maintained	-	-	-	-	-	-	-	-	-	5	
Signals City-owned & County-maintained	77	77	77	80	80	81	81	82	82	82	
Street lights City-owned and maintained	1,705	1,728	1,728	1,785	1,857	1,857	2,098	2,134	2,134	2,206	
Street lights City-owned and PSE-maintained	644	644	644	644	644	644	644	644	644	522	
Street lights PSE-owned and maintained	1,975	1,978	1,980	1,983	1,986	1,986	2,067	2,067	2,067	2,432	
<b>Culture &amp; Recreation</b>											
Developed Parks - Acreage	580	589	589	589	589	620	853	853	853	853	
Developed Parks - # of Parks	29	30	30	32	32	34	34	34	34	34	
Undeveloped Parks - Acreage	539	539	539	539	539	444	436	436	436	436	
Undeveloped Parks - # of Parks	22	22	22	22	22	23	23	23	23	23	
Tennis Courts City-Owned	9	9	9	9	9	9	9	9	9	9	
Tennis Courts - Public	25	25	25	22	22	17	17	17	17	17	
Swimming Pools City-Owned	2	2	2	2	2	2	2	2	2	2	
Swimming Pools County-Owned	3	3	3	3	3	2	2	2	2	2	
Trails - Miles	9	9	9	9	9	9	12	12	12	12	
Trails - # of Trails	6	6	6	6	6	7	7	7	7	7	
Community Centers/Recreation Facilities	1	2	2	3	3	3	3	3	3	3	
Source: City of Federal Way Public Works and Parks Department											

OPERATING INDICATORS BY FUNCTION																					
Last Ten Fiscal Years																					
2013		2014		2015		2016		2017		2018		2019		2020		2021		2022			
SECURITY OF PERSONS & PROPERTY																					
Police Information																					
Offenses:																					
Forcible Rape (including attempts)		35		70		47		46		34		44		32		50		70		81	
Robbery		107		135		152		191		169		234		156		132		168		156	
Criminal Homicide		6		4		4		9		7		1		3		6		11		8	
Aggravated Assault		133		148		178		209		226		173		175		211		273		323	
Vehicle Theft		778		869		762		1,080		963		805		634		763		947		1,493	
Burglary (commercial & residential)		801		816		635		645		664		672		563		745		792		681	
Larceny		3,571		3,912		3,701		4,225		3,699		3,060		3,106		3,056		3,016		2,947	
Arson		7		13		14		18		10		14		12		34		31		27	
Citations:																					
Traffic		17,558		13,705		15,466		10,602		10,579		7,619		8,186		6,346		5,402		6,210	
Red Light Photo		24,454		24,750		29,812		33,626		38,434		35,781		25,175		23,928		20,324		21,495	
ECONOMIC ENVIRONMENT																					
Building Related Permits & Values																					
Building Permits		662		632		633		544		649		580		391		516		734		497	
Estimated Value (In Millions \$)		\$ 62		\$ 128		\$ 198		\$ 57		\$ 62		\$ 86		\$ 227		\$ 48		\$ 108		\$ 247	
Other Building Related Permits		3,827		3,722		3,868		3,429		3,425		3,464		2,927		2,522		2,676		3,102	
Estimated Value (In Millions \$)		\$ 6		\$ 7		\$ 8		\$ 8		\$ 10		\$ 10		\$ 44		\$ 22		\$ 28		\$ 40	
Source: City of Federal Way Police Department and Community Development Department																					

CITY GOVERNMENT EMPLOYEES FULL-TIME EQUIVALENT - HISTORY										
Department	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Mayor's Office	3.50	6.00	8.00	12.34	14.34	7.34	7.34	7.34	8.34	8.34
Administration	3.00	5.00	6.00	6.34	6.34	6.34	6.34	6.34	6.34	6.34
Economic Development	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Performing Arts & Event Center	-	-	1.00	5.00	7.00	-	-	-	-	-
City Council	4.15	4.15	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Municipal Court	13.00	13.00	13.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Human Resources/City Clerk	4.50	5.13	5.75	6.00	6.00	6.00	6.00	6.00	6.50	6.00
City Clerk	1.75	1.88	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Human Resources	2.75	3.25	3.25	3.50	3.50	3.50	3.50	3.50	4.00	3.50
Finance	6.00	7.00	8.00	8.00	8.00	8.00	8.00	10.00	10.00	9.00
Finance	6.00	7.00	8.00	8.00	8.00	8.00	8.00	10.00	10.00	9.00
Information System	7.00	6.00	7.00	7.00	7.00	7.00	7.00	8.00	9.00	10.00
Law	12.00	12.00	12.50	12.50	12.50	13.00	13.00	12.50	12.50	13.50
Civil Legal Services	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.30
Criminal Prosecution Services	7.20	7.20	7.70	7.70	7.70	8.20	8.20	7.70	7.70	9.20
Community & Econ Development	21.85	26.25	26.70	26.70	26.70	26.70	27.50	26.18	26.18	28.80
Administration	3.50	3.90	3.90	3.90	3.90	3.90	3.90	4.58	4.58	5.50
Planning	6.00	7.00	7.00	6.00	6.00	6.00	6.80	6.80	5.80	6.80
Building	10.00	12.00	12.00	13.00	13.00	13.00	13.00	11.00	12.73	13.00
Human Services	2.35	3.35	3.80	3.80	3.80	3.80	3.80	3.80	3.07	3.50
Police	145.00	146.00	160.00	160.00	160.00	160.00	163.00	167.00	185.00	186.00
Administration	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Support Services	55.00	56.00	57.00	55.00	55.00	55.00	58.00	62.00	78.00	58.00
Field Operations	87.00	87.00	100.00	103.00	103.00	103.00	103.00	103.00	105.00	126.00
Parks, Rec. & Cultural Svcs.	35.45	35.90	34.80	37.46	37.46	38.96	38.46	39.21	39.96	39.26
Administration	1.35	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
General Recreation	5.50	5.50	5.50	5.83	5.83	5.83	5.83	5.83	6.83	7.13
Community Center	13.35	13.35	11.00	11.33	11.33	11.33	11.33	11.33	11.33	11.33
Dumas Bay Centre	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Parks Maintenance	12.50	12.50	13.50	15.50	15.50	16.00	15.50	16.25	17.00	17.00
Performing Arts & Event Center	-	-	-	-	-	1.00	1.00	1.00	-	-
Public Works	39.95	38.95	44.00	43.00	44.00	45.00	49.50	56.00	60.00	65.00
Administration	2.25	2.25	2.75	2.75	2.75	2.75	3.61	1.61	1.61	1.61
Development Services	3.70	3.70	2.20	2.20	2.20	2.20	1.85	2.85	2.85	2.70
Traffic Services	3.85	3.85	4.35	4.35	4.35	5.35	5.28	5.28	5.28	7.28
Street Services	10.60	10.60	11.60	11.60	11.60	11.60	15.10	22.00	22.00	14.05
Operational Services	-	-	-	-	-	-	-	-	-	24.15
Emergency Management	1.00	-	-	-	-	-	-	-	-	-
Solid Waste & Recycling	1.70	1.70	2.20	2.20	2.20	2.20	2.41	2.41	2.41	2.71
Surface Water Management	16.35	16.35	20.40	19.40	20.40	20.40	20.75	20.85	24.85	11.50
Fleet & Equipment	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00	1.00	1.00
Total	292.40	300.38	323.95	333.20	336.20	332.20	340.00	352.43	377.68	386.10

Source: City of Federal Way Finance Division

**\*table does NOT include 1-time positions or frozen positions**

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS DECEMBER 31, 2022		
EXECUTIVE BRANCH		
POSITION	EMPLOYEE	ANNUAL SALARY
MAYOR	JIM FERRELL	\$173,497
CITY ATTORNEY	RYAN CALL	\$182,892
CITY CLERK	STEPHANIE COURTNEY	\$125,652
CITY ADMINISTRATOR	BRIAN DAVIS	\$201,180
COMMUNITY DEVELOPMENT DIRECTOR	KEITH NIVEN	\$121,296
ECONOMIC DEVELOPMENT DIRECTOR	TANJA CARTER	\$136,020
FINANCE DIRECTOR	STEVE GROOM	\$168,084
INFORMATION TECHNOLOGY DIRECTOR	THOMAS FITCHNER	\$168,948
PARKS DIRECTOR	JOHN HUTTON	\$168,840
POLICE CHIEF	ANDY HWANG	\$200,218
PUBLIC WORKS DIRECTOR	EJ WALSH	\$182,892

LEGISLATIVE BRANCH		
POSITION	EMPLOYEE	ANNUAL SALARY
DEPUTY MAYOR	SUSAN HONDA	\$17,025
COUNCIL PRESIDENT	LINDA KOCHMAR	\$17,025
COUNCIL MEMBERS	LYDIA ASSEFA-DAWSON	\$17,025
	JACK DOVEY	\$17,025
	ERICA NORTON	\$17,025
	JACK WALSH	\$17,025
	HOANG TRAN	\$17,025
JUDICIAL BRANCH		
POSITION	EMPLOYEE	ANNUAL SALARY

JUDGE	DAVID LARSON	\$183,775
JUDGE	BRAD BALES	\$183,775
Source: City of Federal Way Finance Department		
NOTE: In accordance with Ordinance 90-016, individual fidelity coverage of not less than \$50,000 exists for the Mayor, Finance Director, City Clerk, Police Chief, and Judge.		

## MISCELLANEOUS STATISTICAL INFORMATION

## LOCAL TAXES ON BUSINESSES

Utility Tax - (6% + 1.75% Prop 1).....	<b>7.75%</b>
Utility Tax - Solid Waste (6% + 10% + 1.75% Prop 1).....	
Admission Tax.....	<b>5.00%</b>
Gambling Taxes:	
Bingo/Raffles.....	<b>5.00%</b>
Amusement/Games.....	<b>2.00%</b>
Punchboard/Pull Tabs.....	<b>3.00%</b>
Cardrooms.....	<b>10.00%</b>
Local Sales Tax (Collected by the State).....	<b>10.10%</b>

## FIRE AND EMERGENCY MEDICAL RESPONSE INFORMATION

*Fire and Emergency Medical Response information reflects the greater Federal Way area, which is served by South King Fire & Rescue.*

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Fire and Other Responses	968	999	1,148	1,019	3,213	1,253	4,278	1,093	4,973	5,560
	Emergency Medical	12,950	13,847	14,193	16,144	17,109	15,968	16,422	19,101	18,352	18,869

**PUBLIC EDUCATION**

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
23	Elementary Schools	9,777	10,054	10,253	10,498	10,493	10,241	10,576	9,953	8,670	9,321
6	Middle Schools (Public Academy, TAF)	5,050	5,034	5,209	5,183	5,238	5,217	4,485	5,309	4,604	4,691
4	High Schools	6,341	6,299	6,166	5,582	6,382	6,389	6,342	6,327	5,789	5,760
4	Alternative\Int. Academy, Open Doors)	386	385	351	412	409	462	1,915	333	995	796
<b>Total</b>		<b>21,554</b>	<b>21,772</b>	<b>21,979</b>	<b>21,673</b>	<b>22,522</b>	<b>22,309</b>	<b>23,318</b>	<b>21,922</b>	<b>20,058</b>	<b>20,568</b>

3,135	Staff members
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**TAXABLE SALES (in millions)**

		2016	2017	2018	2019	2020	2021	2022			
	Retail Sales	\$1,355	\$1,432	\$1,564	\$1,673	\$1,671	\$1,733	\$1,888	\$1,897	\$2,064	\$2,290
	Real Estate Sales	\$399	\$418	\$599	\$1,062	\$819	\$841	\$1,044	\$895	\$1,036	\$1,011

Source: South King County Fire and Rescue  
Federal Way Public School  
WA Office of Superintendent of Public Instruction  
City of Federal Way Finance Division