



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Oak Harbor

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

Published January 13, 2025

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

January 13, 2025

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

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

2023-001 The City did not have adequate internal controls for ensuring accurate financial reporting.

Background

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

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, prescribes reporting of fund balances as restricted, committed, assigned or unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

Each year, the City proportionally allocates investments to funds based on the size of the fund and only does so for the funds with a balance exceeding a threshold managers set. As a result, investments were misallocated between funds, affecting both cash and investment balances.

Additionally, the City incorrectly changed its methodology for classifying fund balances for governmental funds.

We identified the following deficiencies in internal controls that, when taken together, represent a material weakness. The City:

- Lacked an effective review of the financial statements to ensure cash and investment balances are correctly presented in each fund

- Did not adequately research accounting requirements to properly classify fund balance in governmental funds

Cause of Condition

The City did not dedicate sufficient resources, including completing an effective final review, to ensure cash and investment balances were correctly reported across funds and that fund balance was presented in accordance with GAAP.

Effect of Condition

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies, and other interested parties. They also hinder the audit process and increase audit costs. We identified the following material classification errors due to the control weakness:

Classification of cash

The City misclassified the following reported amounts between investments and cash in each opinion unit:

- Investments were understated by \$6,443,531 and cash overstated by \$6,482,238 in the General fund.
- Investments were overstated by \$2,224,837 and cash understated by \$2,238,202 in the Water fund.
- Investments were understated by \$18,817 and cash overstated by \$18,930 in the Wastewater fund.
- Investments were understated by \$38,731 and cash overstated by \$38,963 in the Solid Waste fund.
- Investments were overstated by \$445,686 and cash understated by \$448,363 in the Storm fund.
- Investments were overstated by \$2,921,820 and cash understated by \$2,944,839 in the Aggregate Remaining funds.

Classification of fund balances

- The City overstated unassigned fund balance by \$6,790,898 in the aggregate remaining funds and understated restricted fund balance by the same amount.

The City subsequently corrected these errors in the final financial statements.

Recommendation

We recommend the City:

- Strengthen internal controls over its financial statement preparation and year-end investment reallocation processes as well as conduct an effective review to ensure all financial statement balances are properly classified
- Establish and follow effective internal controls over financial reporting to ensure it reports fund balance in accordance with GASB 54

City's Response

The City of Oak Harbor thanks the State Auditor's Office (SAO) for the open communication throughout the fiscal year 2023 audit as well as the opportunity to respond to the audit finding. We agree with the Auditor's finding and are thankful for the opportunity to correct the financial statements.

For the benefit of Oak Harbor residents, this matter does not represent any misuse of public funds. Rather, it represents a reporting error involving the classification of fund balance and the allocation of investments between the various funds which have been corrected. The City's total assets, total liabilities and total net position were not affected by the update.

Staff transitions occurred in February and March of 2024, impacting financial statement preparation. Additionally, finance staff embarked on an ambitious and intensive redesign of the budget process and methodology during 2024. Both of these items contributed to the overextension of available resources which affected resources available for the year-end closing process and preparation of the financial report. In addition, the accounting system defaulted to using regular cash line items instead of restricted cash line items for various funds.

The City acknowledges its responsibility to accurately prepare its financial statements following Generally Accepted Accounting Principles (GAAP). We are committed to providing staff training and guidance on Governmental Accounting Standards Board (GASB) statements and the SAO Budgeting, Accounting and Reporting System (BARS) GAAP Manual and will ensure sufficient time is available for final review prior to submittal to the SAO going forward. We have incorporated updates to our processes to help mitigate the risk of this happening in the future. We appreciate the support of the Washington State Auditor's Office as we continue to enhance our financial reporting process.

Auditor's Remarks

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

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

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

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

INDEPENDENT AUDITOR'S REPORT

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Oak Harbor, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

January 7, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2025 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 7, 2025

**City of Oak Harbor
January 1, 2023 through December 31, 2023**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Activities – 2023

Governmental Funds Balance Sheet – 2023

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

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

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

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

Statement of Net Position – Proprietary Funds – 2023

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

Statement of Cash Flows – Proprietary Funds – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the City of Oak Harbor's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

This MD&A, combined with the Financial Statements and the Notes to the Financial Statements, represents the complete 2023 financial activities for the City of Oak Harbor. These are all intended to help the reader understand the City's significant financial issues. This MD&A provides an overview of the City's financial records. The data in this financial report also identifies any material deviations from the financial plan and the adopted annual budget. Finally, the intent of the MD&A and other financial information is to isolate and identify individual fund issues or concerns.

FINANCIAL INFORMATION

The City's government-wide financial statements were prepared on the full accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). The City's fund financial statements for its major and non-major governmental funds were prepared on the modified accrual basis of accounting in conformity with GAAP. The City's major and non-major proprietary funds were accounted for on the full accrual basis of accounting in conformity with GAAP.

The City of Oak Harbor, along with all cities, counties, and other governmental entities in Washington, must comply with the Budgeting, Accounting, and Reporting System (BARS) as defined by the Washington State Auditor's Office (SAO). SAO audits the financial records of all cities and other governmental units within the State. The City of Oak Harbor's financial system integrates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. These controls are designed to provide:

1. Reasonable assurance that transactions are executed in accordance to management understanding and approval;
2. Reasonable assurance that transactions are executed in accordance to GAAP;
3. Accountability for control of assets and obligations; and
4. Assurance that sufficient reporting and review exists to provide adequate information for analysis and comparability of data.

Internal control is a high priority for the City. SAO reviews the City's internal controls, and the City receives and takes action on all the recommendations made. The City maintains strong budgetary controls in order to ensure compliance with legal provisions embodied in the biennial appropriated budget as approved by the City Council. The City Council must authorize any budget increase or decrease to any fund.

FINANCIAL HIGHLIGHTS

- The City's overall financial condition improved during 2023, as compared to 2022.
- City of Oak Harbor assets exceeded its liabilities at the close of the 2023 fiscal year by \$197.95 million (net position). Of this amount, \$70.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- Reported net position increased \$12.03 million. The overall net position of governmental activities increased \$8.32 million, or 9.75%, during 2023. Net position of business-type activities increased \$3.71 million, or 3.69%, during 2023.

- Total liabilities and deferred inflows increased by \$3.90 million or 3.09%, primarily due to the UTGO bonds that were issued for fire response time improvements which were offset by paying down the principal on the State Revolving Fund loans used to finance the Clean Water Facility.

- Overall, the net book value of capital assets increased by \$1.85 million, or 0.86%. Total capital assets from governmental activities increased \$3.83 million. Capital assets of business-type activities decreased \$1.97 million or 1.15%. This net decrease is primarily due to accumulated depreciation of the Clean Water Facility. Additional information on the City's capital assets can be found in Note 5 of this report.

- At the close of 2023, the City's governmental funds reported combined ending fund balances of \$40.15 million. Approximately 45.38% of this total amount, or \$18.22 million, is available for spending at the government's discretion (committed, assigned, and unassigned fund balances). 70.21% or \$28.19 million is in the General Fund and 29.79% or \$11.96 million of the ending fund balances are recorded in the City's Special Revenue Funds; Debt Service and Capital Project Funds.

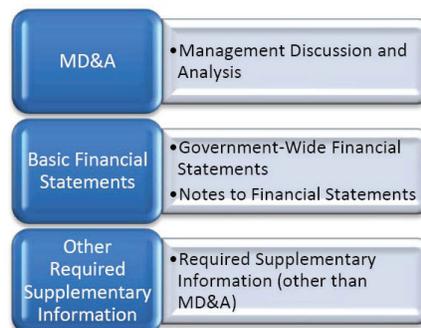
- At the end of the current fiscal year, the ending fund balance for the General Fund was \$28.19 million. Of this amount, 62.91%, or \$17.73 million, is available for spending (committed, assigned, and unassigned) at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City of Oak Harbor'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.

The graphic representation below illustrates the required components of the City's annual financial report and how the required parts are arranged and relate to one another. This illustration helps explain the City's financial presentation. This graphic representation should be used in conjunction with the following explanations to help guide the reader in understanding the financial condition of the City of Oak Harbor.



BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements provide readers with a broad overview of the City of Oak Harbor's finances in a manner similar to a private sector business. They provide both short-term and long-term information about the City's overall financial status. The government-wide statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities.") The governmental activities of the City include a full range of local government services provided to the public such as executive, judicial, legal, finance, police and fire protection, road maintenance and construction; community planning and economic development; libraries, parks, and recreational opportunities; and other community services. The business-type activities of the City include the City's water, sewer, solid waste, and storm drain utilities, as well as the city-owned marina.

The Statement of Net Position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. This statement combines and consolidates governmental funds' current financial resources (short term available resources) with capital assets and long-term obligations, which is primarily debt. The Statement of Net Position serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating. Other indicators to consider when evaluating the financial position of the City includes changes to the property tax base, general economic conditions as demonstrated through business licenses fees or sales tax revenue, and the condition of the City's infrastructure (roads, drainage systems, bridges, and water infrastructure).

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activities on this statement are reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands. The government-wide financial statements can be found immediately following this section (MD&A) of the annual financial report.

In the Statement of Net Position and the Statement of Activities, the City's activities are divided into two categories:

- *Governmental Activities* - Most of the City's basic services are reported here, including the police, facilities, parks, planning and general administration. Taxes (property, sales, and utility) and intergovernmental revenues finance most of these activities.
- *Business-type Activities* - The City charges fees to customers to help cover all or most of the costs of certain services provided, and to recoup the cost of the operations of water, sewer, storm drain, and solid waste utilities, as well as all capital and debt expenses associated with the individual utility, and the marina.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. The City of Oak Harbor, like other state and local governments, uses

fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The annual financial report includes individual 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. All of the City of Oak Harbor's funds can be divided into two categories: seventeen individual governmental funds and ten proprietary funds. The City of Oak Harbor does not utilize fiduciary funds.

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is on Major Funds rather than fund types. A Major Fund has three elements as defined by GASB 34:

- Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise funds are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (i.e., governmental, proprietary, or fiduciary); and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual government fund or enterprise funds are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or
- Any other governmental or enterprise fund that the government's officials believe is particularly important.

Governmental funds present most of a government's tax-supported activities. The proprietary funds describe and financially manage the government's business-type activities where all or part of the activities' costs are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary funds control resources held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds:

The Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances presents financial data for the General Fund. Data from the remaining governmental funds, excluding any other major governmental funds, are combined and presented in a single, aggregated column in the fund statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus of governmental fund financial statements is on near-term inflows and outflows of available financial resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be spent in the near future to finance City services.

Because the focus of governmental fund financial statements is a narrower view than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives the reader a better understanding of the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliation to the governmental activities column in the government-wide statements to facilitate this comparison.

The City maintains budgetary controls over its governmental funds. Budgetary controls ensure compliance with legal provisions embodied in the biennial appropriated budget. Governmental fund budgets are established in accordance with state law and are adopted on a fund level. General Fund budget variances are specifically addressed later in this discussion and analysis.

Proprietary Funds:

These types of funds consist of two types of funds: enterprise and internal service funds. They have always been operated as private business activities. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services to various City departments and to accumulate and allocate the associated costs of providing these services to the various functions. The revenues and expenses of internal service funds that are duplicated in other funds are eliminated in the government-wide statements. The remaining balances have been allocated to the type of activity, governmental or business-type, that is predominant for each internal service fund.

The City uses enterprise funds to account for its water utility, sewer utility, solid waste utility, storm drain utility, and its marina. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and equipment, management of technological systems and maintenance of City facilities. Internal service funds benefit both governmental and business-type activities and are allocated as appropriate in the government-wide statement of activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's water utility, sewer utility, solid waste utility, storm drain utility, and marina are presented in separate columns in the proprietary fund financial statements; whereas the internal service funds are combined into a single column. The proprietary fund financial statements are included in the basic financial statements section of this report.

Fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City does not utilize fiduciary funds at this time.

Notes to the Financial Statements, located in the basic financial statements section of this report immediately following the financial statements, provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

Other information. The required supplementary information, presented in the financial statements, represents a budgetary comparison schedule for both the General Fund to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position can serve as a useful indicator of the City's financial position. The City of Oak Harbor's net position at December 31, 2023, totals \$197.95 million. The following is a condensed version of the government-wide statement of net position comparing fiscal year 2023 to 2022.

City of Oak Harbor
Net Position
December 31, 2022 and 2023

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets(net)	\$ 47,878,784	\$ 44,052,153	\$ 169,009,618	\$ 170,981,832	\$ 216,888,402	\$ 215,033,986
Current and other assets	60,679,164	47,291,496	46,536,195	45,901,888	107,215,359	93,193,384
Total assets	108,557,948	91,343,649	215,545,814	216,883,720	324,103,762	308,227,369
Deferred outflows of resources	3,318,647	3,156,844	643,789	751,712	3,962,436	3,908,556
Total assets and deferred outflows of resources	111,876,594	94,500,493	216,189,603	217,635,432	328,066,197	312,135,926
Current and other liabilities	\$ 1,929,554	\$ 1,109,954	\$ 7,261,169	\$ 6,721,920	\$ 9,190,723	\$ 7,831,874
Long-term liabilities	13,317,530	4,742,643	104,267,853	109,643,765	117,585,383	114,386,408
Total liabilities	15,247,084	5,852,597	111,529,022	116,365,685	126,776,106	122,218,283
Deferred inflows of resources	2,940,950	3,285,176	396,183	691,335	3,337,134	3,976,511
Total Liability and deferred inflows of resources	18,188,034	9,137,773	111,925,205	117,057,020	130,113,239	126,194,794
NET POSITION						
Net investment in capital assets	\$ 38,744,770	\$ 43,862,060	\$ 60,200,718	\$ 56,857,618	\$ 98,945,488	\$ 100,719,678
Restricted	27,648,680	17,161,870	1,124,276	978,272	28,772,956	18,140,142
Unrestricted	27,295,110	24,338,790	42,939,404	42,742,522	70,234,514	67,081,312
Total net position	\$ 93,688,560	\$ 85,362,720	\$ 104,264,398	\$ 100,578,412	\$ 197,952,958	\$ 185,941,132

The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

As of the end of 2023, the largest component of the City's total net position at \$98.95 million, or 49.98%, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to pay these liabilities. Approximately \$28.7 million, or 14.54%, of the City's total net position is subject to legal restrictions.

The net position of governmental activities increased by \$8.32 million or 9.75% mainly due to better financial results than originally expected, property taxes related to the fire levy lid lift and excess levy, and investment earnings. The net position of business-type activities increased \$3.7 million, or 3.69%, mainly due to investment earnings and paying down the principal on the State Revolving Fund loans used to finance the Clean Water Facility.

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

The Statement of Activities can serve as a useful indicator of the results of operations for the City. The following table is a condensed version of the Statement of Activities, illustrating the increases or decreases in net position of the City resulting from its operating activities. The table shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities for 2023 and 2022:

City of Oak Harbor Changes in Net Position December 31, 2022 and 2023						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for Services	\$ 4,158,931	\$ 3,262,210	\$ 28,160,828	\$ 28,011,083	\$ 32,319,759	\$ 31,273,294
Operating Grants and Contributions	183,805	6,466,953	16,275	54,746	200,081	6,521,698
Capital Grants and Contributions	1,182,203	283,576	1,004,776	524,545	2,186,979	808,121
General revenues:						
Property taxes	8,079,642	4,607,951	-	-	8,079,642	4,607,951
Sales and use taxes	6,173,596	6,208,610	-	-	6,173,596	6,208,610
Other taxes	4,875,692	4,985,012	46,516	55,721	4,922,208	5,040,734
Licenses and permits	524,320	527,327	2,881	2,881	527,201	530,208
Unrestricted grants and contributions	2,022,941	2,106,873	-	-	2,022,941	2,106,873
Investment earnings	1,915,283	29,256	2,014,627	(155,463)	3,929,910	(126,206)
Miscellaneous	230,199	288,936	540,944	504,701	771,143	793,638
Gain (loss) on sale of assets	86,630	-	-	-	86,630	-
Special Item (Proj. Dispos.)	-	(65,124)	-	(64,925)	-	(130,049)
Total revenues	29,433,243	28,701,582	31,786,848	28,933,289	61,220,091	57,634,871
EXPENSES						
Governmental activities:						
General government	\$ 3,404,508	\$ 3,387,110	\$ -	\$ -	\$ 3,404,508	\$ 3,387,110
Judicial	388,429	418,512	-	-	388,429	418,512
Public safety	9,731,557	8,898,661	-	-	9,731,557	8,898,661
Transportation	2,449,958	2,662,253	-	-	2,449,958	2,662,253
Natural and economic environment	1,983,119	1,651,046	-	-	1,983,119	1,651,046
Social services	650,894	588,855	-	-	650,894	588,855
Culture and recreation	2,241,733	2,142,412	-	-	2,241,733	2,142,412
Interest	486,731	6,105	-	-	486,731	6,105
Business-type activities:						
Water Fund	-	-	7,186,495	5,783,242	7,186,495	5,783,242
Sewer Fund	-	-	11,990,236	10,575,940	11,990,236	10,575,940
Solid Waste Fund	-	-	4,537,993	4,341,719	4,537,993	4,341,719
Storm Drain Fund	-	-	1,671,891	1,829,208	1,671,891	1,829,208
Marina Fund	-	-	2,463,904	1,900,337	2,463,904	1,900,337
Total expenses	21,336,928	19,754,955	27,850,519	24,430,446	49,187,447	44,185,401
Change in net position before special items and transfers	8,096,315	8,946,627	3,936,329	4,502,843	12,032,643	13,449,470
Transfers	225,000	(3,039,528)	(225,000)	3,039,528	-	-
Change in net position	8,321,315	5,907,099	3,711,329	7,542,372	12,032,643	13,449,470
Net position - beginning, as previously reported	85,362,720	79,455,621	100,578,412	93,036,040	185,941,132	172,491,662
To correct Marina Tideland depreciation missed in 2022	-	-	(25,343)	-	(25,343)	-
To establish ICOM lease missed in 2022	4,525	-	-	-	4,525	-
Net position - beginning as restated	85,367,245	79,455,621	100,553,069	93,036,040	185,920,314	172,491,662
Net position - ending	\$ 93,688,560	\$ 85,362,720	\$ 104,264,398	\$ 100,578,412	\$ 197,952,958	\$ 185,941,132

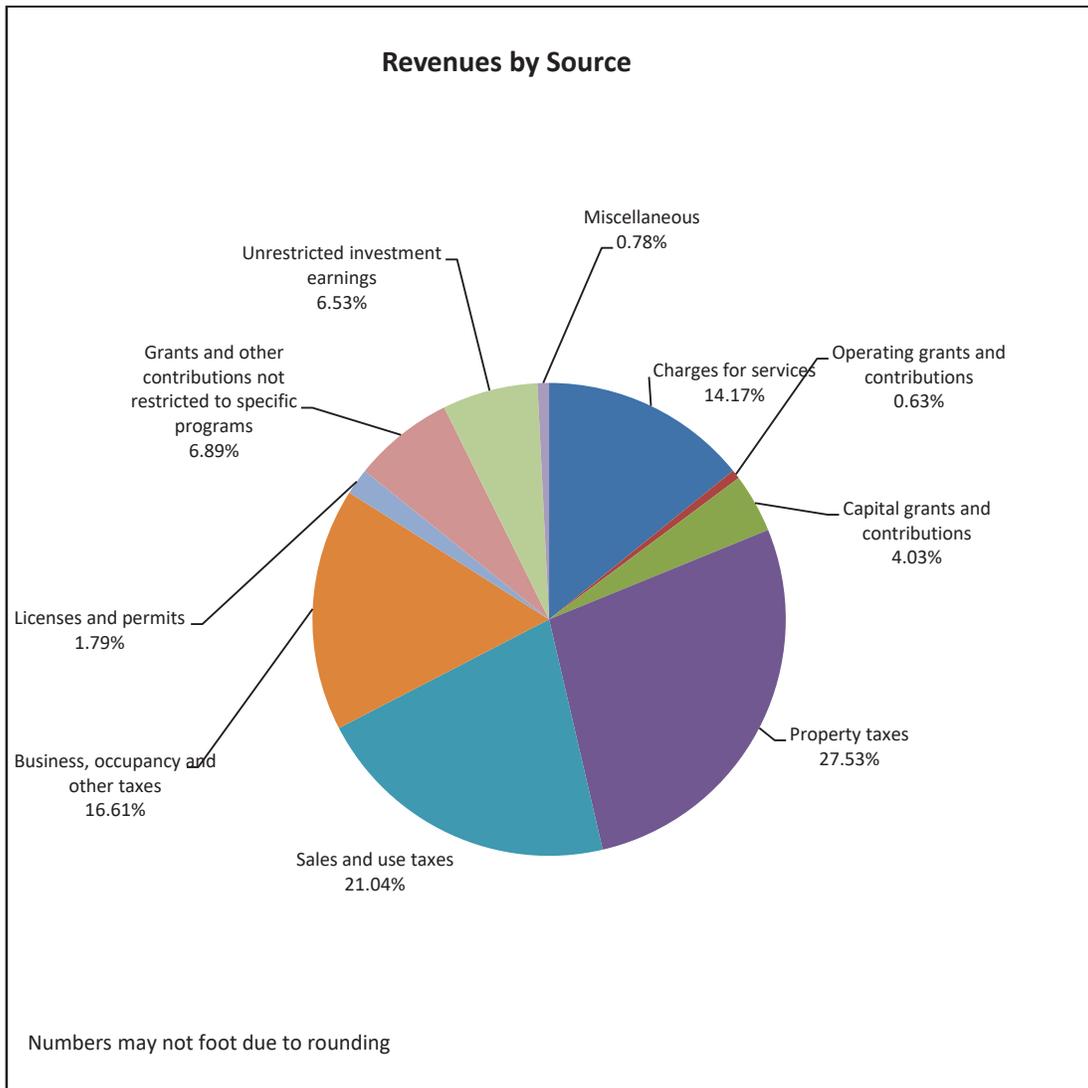
The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

In governmental activities, total revenues, exclusive of any losses on special items, for 2023 show a \$666,537 increase when compared to revenues of the previous year primarily due to increases in property taxes related to the fire levy lid lift and excess levy, and investment earnings. In business-type activities, exclusive of any losses on special items, revenues have increased \$2.78 million primarily due to increased investment earnings.

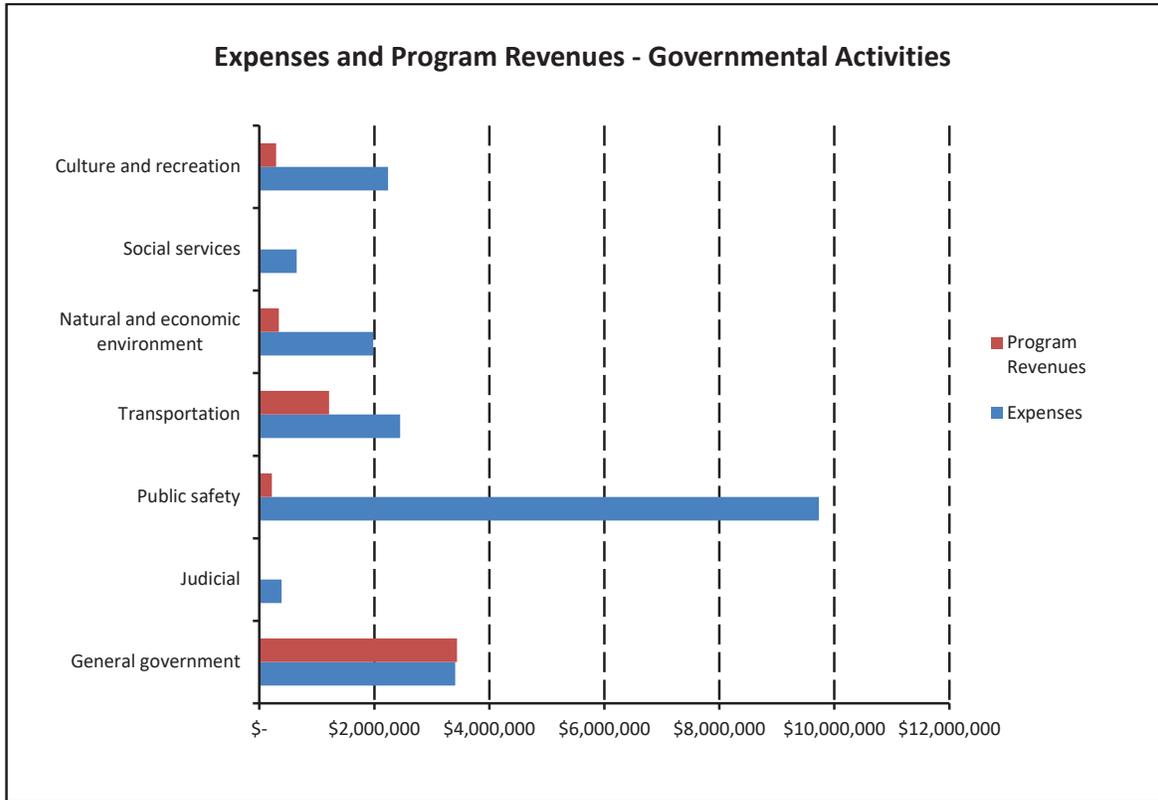
GOVERNMENTAL ACTIVITIES ANALYSIS

Revenues: The following graph illustrates the categorical percentages for each governmental revenue type, net of transfers:

In regard to governmental revenue types, excluding transfers and any loss on sales of assets or project disposals, taxes account for the largest revenue category, generating \$19.13 million, or 64.99%, of the \$29.43 million total governmental revenues. The majority of tax revenue is received in the General Fund which comprises \$16.65 million, or 71.38%, of General Fund revenues. Because of this high percentage, this General Fund category receives the majority of attention during the City's budgeting process. Included in this category are sales, property, utility, criminal justice, and gambling taxes.



Expenses: The following comparative graph illustrates governmental program revenues to program expenses:

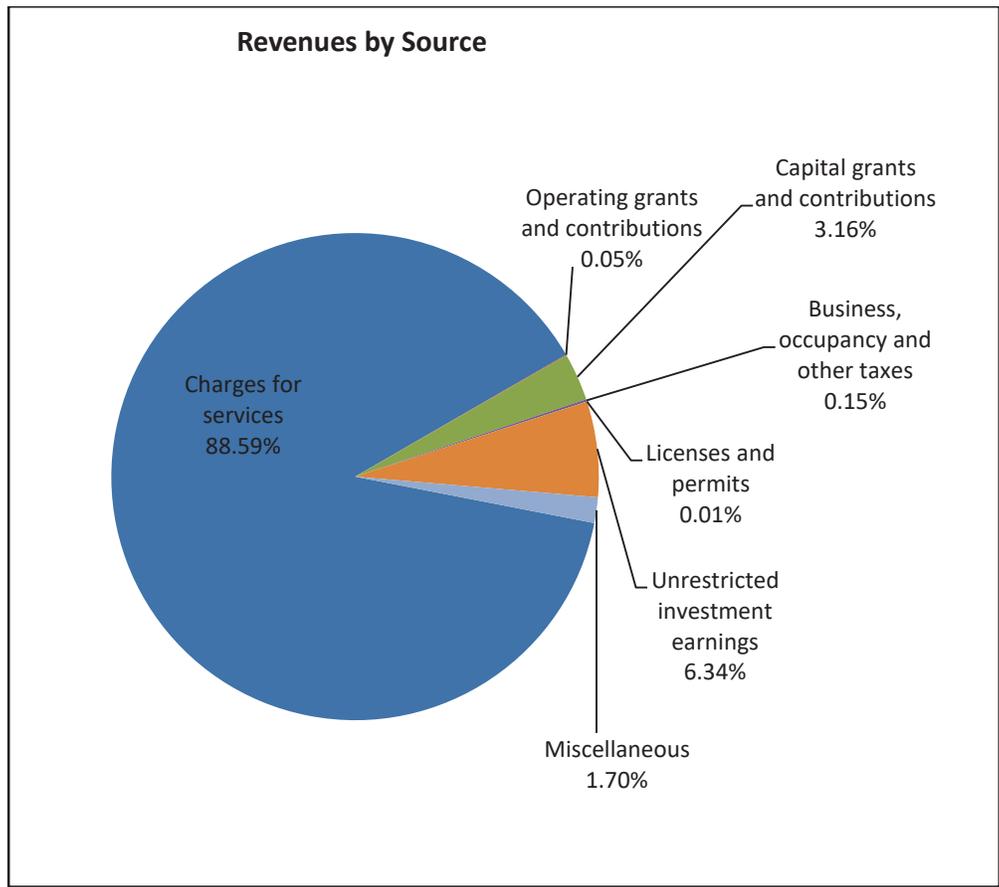


General government services encompass a variety of services including executive, development services, financial, legal, judicial, personnel, building maintenance, and audit/risk management. Security of persons and property services are provided by the City's Police Department who works to provide professional law enforcement services to keep our citizens and their property safe. Special emphasis is placed on community-oriented programs that will prevent crime and forge a partnership between the officers and the citizens they serve. The fire department provides fire prevention and suppression services. Transportation services provide maintenance of the City's streets, sidewalks, paths and traffic control signs/signals. Natural and economic environment services include land use planning, zoning and community development. Social services include the Senior Center and the City's support for the county's substance abuse program and the Impaired Driving Impact Panel of Island County. The City is required by State law to commit 2% of our revenues from liquor profits and liquor tax to this program. The City has a contract with the Island County Health Department, which uses a formula based on population and assessed value to determine the City's level of subsidy. Cultural and recreational services include community and neighborhood parks.

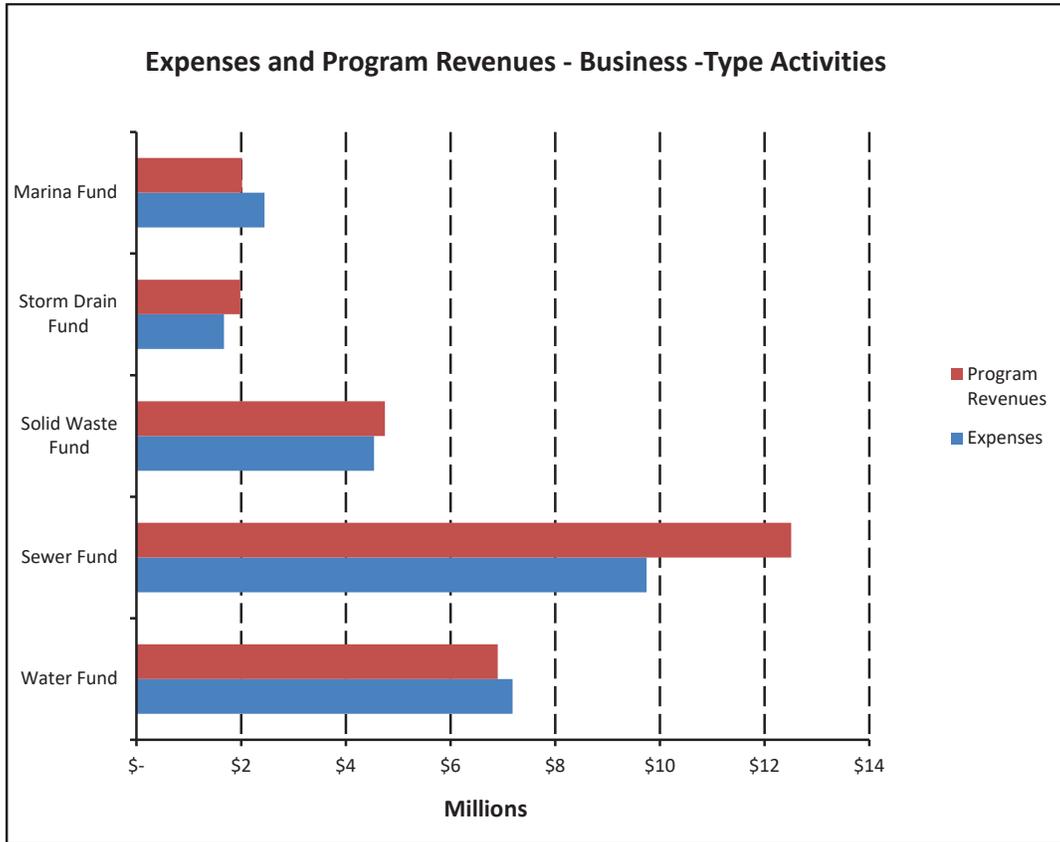
BUSINESS-TYPE ACTIVITIES ANALYSIS

Revenues: The following graphs illustrate the categorical percentages for each business-type revenue:

In regard to business-type revenue types, excluding transfers and any loss on sales of assets or project disposals, charges for services account for the vast majority of revenues for the City's utilities and marina, generating \$28.16 million, or 88.59%, of the \$31.78 million total business-type revenues.



Expenses: The following comparative graph illustrates business-type program revenues to program expenses:



Enterprise Funds

The City of Oak Harbor has five enterprise funds, which are accounted for separately as part of the City's fund structure and operations. The five funds are as follows:

- Water Fund:** The City's water utility is solely supported by its customers, and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues. The majority of revenue comes from monthly service charges. The City adopted Resolution 22-28 on December 13, 2022, adjusting System Development Charges (SDCs) to match the results of a rate study conducted during 2022. The new SDCs will be phased in over five years starting on June 1, 2023. A major reason for increased operating expenses in 2023 compared to 2022 was due to the City being overcharged for water by the City of Anacortes in the estimated amount of \$435,000 in 2023. We are currently in communication with Anacortes on this; however, we do not foresee the resolution of this issue affecting the 2023 financials. The reason for the increased charges for services revenue is due to Navy Air Station Whidbey Island's water purchase contract with the City purchasing where they purchase approximately

42% of the City's water. Interest earnings were the primary reason for the increase in nonoperating revenues.

• **Sewer Fund:** The City's sewer utility is also solely supported by its users and revenue is generally derived from three sources: 1) monthly service charges, 2) system connection fees, and 3) miscellaneous revenues. The majority of operating revenue comes from monthly service charges. The City adopted Ordinance 1961 on September 20, 2022, which, effective on December 20, 2022, decreased the monthly service charges by 3% to \$118.41. The City adopted Resolution 22-28 on December 13, 2022, adjusting SDCs to match the results of a rate study conducted during 2022. The new SDCs will be phased in over five years starting on June 1, 2023. The reason for the decrease in operating revenues is due to the 3% decrease in sewer utility rates that took effect in late 2022. The reason for the increase in operating expenses is due to increased indirect cost allocations and funding the facility reserve for replacement. Interest earnings were the primary reason for the increase in nonoperating revenues.

• **Solid Waste Fund:** The solid waste utility is supported by its users and revenue is generally derived from service charges for scheduled residential and commercial solid waste pickup. The City also receives fees for the collection of compostable green waste, and for regular dumpster garbage collection. The City's recycle program is included within the service charge fee structure. The majority of revenue comes from monthly service charges. The City adopted Ordinance 1961 on September 20, 2022, which, effective on December 20, 2022, better aligned the revenues generated by the components of the solid waste utility (roll-cart, recycling, yard-waste, dumpsters) with their expenses. The overall effect was to increase solid waste bills with optional yard-waste service by 7% and to decrease solid waste bills without optional yard-waste service by 5% for 2023 and then increase by more modest amounts in 2024 and 2025. Operating revenues slightly increased from 2022. The reason for the increase in operating expenses is due to increased indirect cost allocations and reserve for replacement funds. Interest earnings were the primary reason for the increase in nonoperating revenues.

• **Storm Drain Fund:** The City's storm drain utility is supported by its users and revenue is generally derived from monthly service charges. Rates are charged to residential and commercial customers by the area of equivalent residential units (ERU). The rate structure provides funding for many of the storm water projects identified in the City's Comprehensive Storm Water Management Plan. The City adopted Resolution 22-28 on December 13, 2022, implementing a new storm drain SDCs to match the results of a rate study conducted during 2022. The new SDCs went into effect on June 1, 2023. Operating revenues slightly increased from 2022. The reason for the decrease in operating expenses is due to decreased indirect cost allocations. Interest earnings were the primary reason for the increase in nonoperating revenues.

• **Marina Fund:** This fund is supported primarily through user fees charged to customers using the marina facility. Fees are charged for overnight transient rental of slips, longer term leases for boat owners mooring their vessels, and for the sale of fuel and other products to marina customers. The primary reason for the decrease in operating revenues is because moorage rates decreased by 6.7% from 2022 primarily due to a poor 2023 summer crabbing season with tenants who usually moor for two months mooring only for one. Operating expenses increased primarily due to personnel costs, fuel costs, and the one-time write-off of dated uncollectable accounts. Interest earnings were the primary reason for the increase in nonoperating revenues.

Internal Service Funds

The City of Oak Harbor utilizes five internal service funds. These funds are used to account for the goods and services provided to other units of the City entity. Payment by the benefiting unit is intended to fund the costs of providing such service.

• **Equipment Rental/Repair Fund:** The Equipment Repair Fund is an internal service fund that provides the City with in-house mechanic services. The service is responsible for both major and minor repairs of all mechanical equipment used in the business activity funds including cars, trucks, heavy equipment, portable

pumps and generators, and small engines. All general governmental department vehicles and equipment for police, fire, building inspection, and parks are serviced by these in-house services. Funding is derived from charges for parts, labor, and overhead. This allows the mechanic shop to be fully self-sufficient. No other funding is used to support this operation.

- **Equipment Replacement Fund:** The Equipment Replacement Fund is an internal service fund to accumulate resources for the future purchase of vehicles and equipment. The objectives of this fund are to cooperate with State and local agencies to establish cooperative purchasing agreements that will reduce costs and improve efficiency and effectiveness, to maintain a fleet replacement program that adequately funds vehicle replacement without having to borrow funds, and to oversee the City auction and sale of City assets in accordance with RCW 39. Individual departments contribute towards future purchases over time in order to have adequate cash to fully purchase the asset with no short-term borrowing.

- **Technology Replacement Fund:** The Technology Replacement Fund is an internal service fund to accumulate funds for future purchases of hardware and software.

- **Facility Replacement Fund:** The Facility Replacement Fund is an internal service fund to accumulate funds for future repairs on facilities.

- **Shop Facility Fund:** The Shop Facility Fund is an internal service support fund responsible for the overall maintenance of City owned buildings, and for the supervision and administration of the Public Works Divisions. The Shop Facility Fund is supported by those divisions, which include the Streets, Water, Sewer, Solid Waste, Storm Drain, Engineering, and Parks. Expenses incurred for the Public Works complex are allocated based on a percentage of square footage space utilized by each department.

MAJOR FUND ANALYSIS

The City, in accordance with GASB 34, performed the major fund calculation and determined that the General Fund met the requirement to qualify as a major fund. The remaining governmental funds are combined and reported in aggregate. The General Fund is accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, total revenues for all governmental funds equal \$28.46 million with total expenditures equaling \$26.15 million.

- **General Fund:** The General Fund accounts for the main operating revenues and expenditures of the City's governmental functions. Revenues and expenditures related to executive, judicial, finance, legal, public safety, building inspection and planning and park operations are some of the primary functions of the general government accounted for in General Fund. The majority of tax revenues are received into the General Fund supporting the governmental functions of the City. The fund balance for the General Fund has increased by \$12.20 million, or 76.13%, primarily due to unspent bond proceeds from the 2023 UTGO bonds and investment earnings.

- **Enterprise Funds:** The City elects to report its four utilities and marina as major funds. In previous years, the marina and storm drain utility have not always met the technical requirements needed to be reported as major funds. However, the City elects to treat both funds as major funds due to the public interest in these operations, and due to the desire to provide a consistent presentation of financial information from year to year. The funds are reported on a full-accrual basis - accounting for all assets and liabilities. Net Position in all funds increased for 2023.

BUDGETARY HIGHLIGHTS

The following is a brief review of the budgeting changes from the adopted to the amended final budget for the major governmental funds. Please note that budget to actual comparisons are provided in the financial statements.

The significant budgetary changes in the General Funds include:

Budgeted General Fund revenues and expenses were increased primarily to account for fire levy lid lift funds.

CASH MANAGEMENT

Efforts to maximize interest earnings of temporary cash reserves have been as successful. Interest earnings for 2023 have increased dramatically as compared to the last few years and are expected to continue at this rate through 2024. The City manages cash accounts by the pooled cash management concept and plans investment maturities to coincide with cash needs. The pool concept provides for investing greater amounts of money at more favorable interest rates. The City has a Financial Management Policy with recommended levels of cash and reserves. These balances are regularly monitored to assure compliance with the requirements of the policy.

DEBT ADMINISTRATION

The City participates in various forms of debt. In governmental activities, the City has participated in the LOCAL program and has a Certificate of Participation. At the end of 2023 the outstanding balance was \$111,360.

During the 2022 General Election, November 8, 2022, the voters approved the issuance of Unlimited Tax General Obligation (UTGO) bonds to construct new public safety infrastructure and fire apparatus to improve fire response times and to pay for the debt service on those bonds via an excess property tax levy related to governmental activities. The UTGO bonds were issued in 2023 and city started receiving voter approved excess property tax levy receipts that same year. The outstanding balance at the end of 2023 was \$8,385,000.

In business-type activities, the City has an outstanding LTGO bond refunding issue in the amount of \$716,900 being retired by revenues pledged from the Marina Fund and a revenue bond in the amount of \$25,720,000 being retired from the Sewer Fund.

Additionally, the City has three Public Works Trust Fund Loans for a combined amount of \$599,730 which are being retired by revenues pledged from the Water Fund and Storm Drain Fund, and five State Revolving loans for a combined amount of \$81,567,276 which are being retired from revenues pledged from the City's Sewer Fund.

The City's debt obligations are well within the statutory limits for debt capacity. There are three types of statutory limits on general obligation debt capacity:

1. The first limit is on the amount of general obligation debt that can be incurred without a vote of the people. For this type of debt, a city is limited to 1.5% of its assessed value (\$3,372,666,861), or \$50,590,003, less outstanding general obligation debt originated without a public vote of \$716,900, for a net of \$49,873,103.

2. The second statutory limit is the amount of general obligation debt a city may incur for general governmental purposes with a vote of the people. This limit is 2.5% of the assessed value. For 2023, the City's limit is \$83,599,772, less outstanding general obligation debt originated with a public vote of \$8,385,000, for a net of \$75,214,772.

3. The third limit is also calculated as a percentage of assessed value. This statutory limit allows a City to incur general obligation debt of up to an additional 2.5% of its assessed value for bond issues approved by the voters for the purpose of water, light, sewer owned and controlled by the city and an additional 2.5% for acquiring or developing open space, parks facilities, and capital facilities associated with economic development. For 2023, the City's limit is \$84,316,672 for each 2.5%.

Additional information on the City's long-term debt can be found in Note 9 of this report.

CAPITAL EQUIPMENT AND UPGRADING CAPITAL FACILITIES

The City continues to provide for replacement of capital items of \$5,000 or more, such as motor vehicles and public works equipment, as well as other miscellaneous equipment through the utilization of the equipment replacement fund. These replacements are funded with transfers from participating funds to the Vehicle Replacement Fund, Technology Replacement Fund, and Facility Replacement Fund. The City's budget continues to primarily focus on operation and maintenance costs. Annually the City updates the Capital Improvement Plan (CIP) to prioritize and establish funding sources for capital outlay costs to maintain and upgrade the existing infrastructure. With revenue streams continually being challenged, the City has had the good fortune of securing grants for many projects and utilizing capital fund sources such as impact fees and real estate excise taxes. The City continues to allocate funds for pavement through the Transportation Benefit District established in 2018 by Ordinance 1835 and in 2019 by Resolution 19-16. Voters approved a 2/10th of one percent increase in sales tax beginning April 1, 2020 (the maximum permitted by statute is 3/10th of one percent). The Transportation Benefit District was set up to last for ten years after which it will need to be renewed either by a majority vote of the voters or the City Council. Per Statute, effective July 1, 2022, 1/10th of one percent of this sales tax may be imposed for the first time by a majority vote of the City Council.

While the majority of City facilities are in a state of good repair and are new to middle aged, the Oak Harbor City Hall and Police Headquarters are very aged. The cost of maintaining them escalates each year. The City is in the early stages of exploring replacing these facilities or moving to alternative facilities. The roof was replaced at the City's Senior Center over the last couple of years.

ECONOMIC FACTORS AND OAK HARBOR IN THE FUTURE

Naval Air Station Whidbey Island (NASWI)

NASWI is located immediately adjacent to the City of Oak Harbor. This economic position and activities of this military facility, and its accompanying staff and military dependents, are tied closely to the economic vitality of the City of Oak Harbor. Changes in base staffing levels, adjustments to the type of aircraft platforms deployed at the base, variances in the year-to-year level of construction activity on facility structures, and the ongoing activities of the Base Realignment and Closure Commission (BRAC) at the national level have a direct correlation to the future economic outlook for the City. The City proactively works to diversify its economy with other non-military dependent activities, and to market the viability and military value of the base with Department of Defense officials.

Changes in State Law

The State of Washington has seen a number of tax proposals that would be beneficial to local governments be introduced in the last two legislative cycles. One of the proposals, 2024 SB5770, would have revised the 1% property tax annual increase limitation that cities are subject to for a 3% cap, subject to inflation. Another proposal, 2023 HB 1628, would have created a new 0.25% Real Estate Excise Tax (REET) option (REET 3) for counties/cities to raise funding for affordable housing and would have permitted flexibility between the current REET 1 and 2 0.25% tax options that many cities (including Oak Harbor) has adopted.

It also would have changed the current REET structure for the State portion (non-county/city) of the tax. Neither of these tax proposals advanced out of the legislature for the governor to sign.

Other Economic and Fiscal Prudence Factors

The State of Washington does not have a state personal income tax and therefore the state operates primarily using property, sales, utility, and motor vehicle fuel taxes. The City relies on sales, property and utility taxes and a limited array of permitted other taxes, fees, and state and federal grants to support governmental activities. For the business-type and certain governmental activities (permitting, recreation programs, etc.) the user pays a related fee or associated charge.

According to the U.S. Census Bureau, the City's population has shown steady growth over the last ten years. The daytime population will continue to grow as Oak Harbor becomes a destination for many county residents to shop, to receive medical treatments, and to send students to school for all grade levels including attendance at Skagit Valley College.

The City Council continues to be proactive with outside local, state, and federal agencies to monitor and lobby for regulations in an effort to minimize impact of mandates on the City and provide funds for City services. In addition, the city actively explores the sharing of services opportunities to help minimize impact to our constituents.

When requests for new or expanded services or initiatives are brought forward that require an on-going resource commitment from the City, following the City's financial policies, staff proactively brings funding options forward for the Council to consider prior to approving such items.

The City is facing the same challenges as other cities across the nation are: homelessness and adequate, affordable housing for low income families. This has been prioritized by the state legislature and we may be seeing changes that could change the focus of our services. We will learn as the rest of Washington State does what types of impacts that may have on our funding resources for future uses.

Request for Financial Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the monies it receives. Any questions about this report or requests for additional financial information should be addressed to the Finance Department, City of Oak Harbor, 865 SE Barrington Drive, Oak Harbor, Washington, 98277.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,889,963	\$ 18,274,496	\$ 35,164,459
Investments	17,904,889	23,818,959	41,723,848
Accounts receivable (net)	618,235	3,007,273	3,625,509
Deposits receivable	-	7,000	7,000
Lessor receivable - current	42,108	-	42,108
Internal balances	-	43,703	43,703
Due from other governments	1,671,141	8,269	1,679,410
Inventories	24,194	50,823	75,017
Prepays	331,048	160	331,208
Restricted cash and cash equivalents	4,108,178	270,354	4,378,532
Restricted investments	11,456,009	-	11,456,009
Total current assets	<u>53,045,766</u>	<u>45,481,036</u>	<u>98,526,802</u>
Noncurrent assets:			
Accounts receivable (net)	\$ 820,462	\$ -	\$ 820,462
Lessor receivable - long term	43,821	-	43,821
Pension Asset	4,513,982	707,732	5,221,714
Land	12,092,799	5,394,966	17,487,766
Right-to-use asset - Land	-	137,274	137,274
Construction in progress	2,751,324	914,354	3,665,679
Intangible assets	50,000	-	50,000
Buildings and systems	4,546,615	125,954,470	130,501,085
Improvements and infrastructure	21,843,778	35,578,665	57,422,443
Machinery and equipment	6,536,399	1,023,426	7,559,825
Right-to-use Asset - M&E	55,965	6,463	62,428
Right-to-use asset - SBITA	1,903	-	1,903
LRestricted Cash	2,255,133	347,428	2,602,560
Total noncurrent assets	<u>55,512,182</u>	<u>170,064,778</u>	<u>225,576,960</u>
Total assets	<u>108,557,948</u>	<u>215,545,814</u>	<u>324,103,762</u>
DEFERRED OUTFLOWS OF RESOURCES			
OutARO	\$ -	\$ 86,950	\$ 86,950
OutPension	3,256,132	556,839	3,812,971
OutOPEB	62,515	-	62,515
Total deferred outflows of resources	<u>3,318,647</u>	<u>643,789</u>	<u>3,962,436</u>
Total assets and deferred outflows of resources	<u>111,876,594</u>	<u>216,189,603</u>	<u>328,066,197</u>
LIABILITIES			
Current liabilities:			
Internal balances	\$ -	\$ 43,703	\$ 43,703
Accounts payable	1,019,907	1,036,798	2,056,705
Lease liability	18,397	26,775	45,172
Accrued interest payable	35,721	444,608	480,329
Other current liabilities	163,387	286,986	450,373
Taxes Payable	298	-	298
Wages payable	(75)	37	(38)
Unearned revenue	84,200	-	84,200
ARO	-	11,948	11,948
Due to other governments	54,322	4,995,449	5,049,771
Compensated absences	168,369	57,965	226,333
Bonds payable, net	260,000	356,900	616,900
OPEB	125,029	-	125,029
Total current liabilities	<u>1,929,554</u>	<u>7,261,169</u>	<u>9,190,723</u>
Noncurrent liabilities:			
Lease liability	\$ 38,469	\$ 117,793	\$ 156,263
LCompensated absences	1,156,015	390,120	1,546,135
LARO	-	160,578	160,578
LDue to other governments	134,832	77,171,557	77,306,389
LBonds payable, net	8,646,391	26,123,156	34,769,547
LOPEB	2,583,631	-	2,583,631
Pension Obligation	758,192	304,649	1,062,840
Total noncurrent liabilities	<u>13,317,530</u>	<u>104,267,853</u>	<u>117,585,383</u>
Total liabilities	<u>15,247,084</u>	<u>111,529,022</u>	<u>126,776,106</u>
DEFERRED INFLOWS OF RESOURCES			
InMisc	\$ 946,025	\$ -	\$ 946,025
InPension	1,913,555	396,183	2,309,738
InLessor lease	81,371	-	81,371
Total deferred inflows of resources	<u>2,940,950</u>	<u>396,183</u>	<u>3,337,134</u>
Total liabilities and deferred inflows of resources	<u>18,188,034</u>	<u>111,925,205</u>	<u>130,113,239</u>
NET POSITION			
Net investment in capital assets	\$ 38,744,770	\$ 60,200,718	\$ 98,945,488
Restricted for:			
Capital project	3,762,698	-	3,762,698
Culture and recreation	1,270,227	-	1,270,227
Debt service	-	257,000	257,000
Other programs	40,000	-	40,000
Pension	5,853,093	867,276	6,720,369
Public safety	9,763,545	-	9,763,545
Transportation	6,959,117	-	6,959,117
Unrestricted	27,295,110	42,939,404	70,234,514
Total net position	<u>\$ 93,688,560</u>	<u>\$ 104,264,398</u>	<u>\$ 197,952,958</u>

The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

City of Oak Harbor
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,404,508	\$ 3,417,050	\$ 21,788	\$ -	\$ 34,330	\$ -	\$ 34,330
Judicial	388,429	750	-	-	(387,678)	-	(387,678)
Public safety	9,731,557	132,927	86,315	-	(9,512,314)	-	(9,512,314)
Transportation	2,449,958	26,738	2,541	1,182,203	(1,238,477)	-	(1,238,477)
Natural and economic environment	1,983,119	330,162	10,591	-	(1,642,365)	-	(1,642,365)
Social services	650,894	-	21,560	-	(629,334)	-	(629,334)
Culture and recreation	2,241,733	251,303	41,011	-	(1,949,419)	-	(1,949,419)
Interest	486,731	-	-	-	(486,731)	-	(486,731)
Total governmental activities	<u>21,336,928</u>	<u>4,158,931</u>	<u>183,805</u>	<u>1,182,203</u>	<u>(15,811,989)</u>	<u>-</u>	<u>(15,811,989)</u>
Business-type activities:							
Water Fund	7,186,495	6,903,683	-	517,576	-	234,764	234,764
Sewer Fund	11,990,236	12,508,766	-	222,340	-	740,870	740,870
Solid Waste Fund	4,537,993	4,744,800	-	-	-	206,807	206,807
Storm Drain Fund	1,671,891	1,982,334	-	264,861	-	575,303	575,303
Marina Fund	2,463,904	2,021,245	16,275	-	-	(426,384)	(426,384)
Total business-type activities	<u>27,850,519</u>	<u>28,160,828</u>	<u>16,275</u>	<u>1,004,776</u>	<u>-</u>	<u>1,331,361</u>	<u>1,331,361</u>
Total primary government	<u>\$ 49,187,447</u>	<u>\$ 32,319,759</u>	<u>\$ 200,081</u>	<u>\$ 2,186,979</u>	<u>\$ (15,811,989)</u>	<u>\$ 1,331,361</u>	<u>\$ (14,480,629)</u>
General revenues:							
Property taxes					8,079,642	-	8,079,642
Sales and use taxes					6,173,596	-	6,173,596
Business, occupancy and other taxes					4,875,692	46,516	4,922,208
Licenses and permits					524,320	2,881	527,201
Grants and other contributions not restricted to specific programs					2,022,941	-	2,022,941
Unrestricted investment earnings					1,915,283	2,014,627	3,929,910
Miscellaneous					205,172	540,944	746,116
Gain (loss) on sale of assets					86,630	-	86,630
Other Sources - Leases					25,027	-	25,027
Transfers					<u>225,000</u>	<u>(225,000)</u>	<u>-</u>
Total general revenues, special items, and transfers					<u>24,133,304</u>	<u>2,379,968</u>	<u>26,513,272</u>
Change in net position					<u>8,321,315</u>	<u>3,711,329</u>	<u>12,032,643</u>
Net position - beginning, as previously reported					<u>85,362,720</u>	<u>100,578,412</u>	<u>185,941,132</u>
To correct Marina Tideland depreciation missed in 2022; fund balance will decrease					<u>-</u>	<u>(25,343)</u>	<u>(25,343)</u>
To establish ICOM lease missed in 2022; fund balance increases					<u>4,525</u>	<u>-</u>	<u>4,525</u>
Net position - beginning as restated					<u>85,367,245</u>	<u>100,553,069</u>	<u>185,920,314</u>
Net position - ending					<u>\$ 93,688,560</u>	<u>\$ 104,264,398</u>	<u>\$ 197,952,958</u>

The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

City of Oak Harbor
Balance Sheet
Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & cash equivalents	\$ 8,445,490	\$ 2,378,922	\$ 10,824,412
Investments	9,974,812	282,767	10,257,578
Accounts receivable (net)	1,425,902	12,795	1,438,697
Lessor receivable	85,929	-	85,929
Due from other governments	1,204,046	477,664	1,681,710
Prepays	138,567	443	139,010
Restricted cash	3,535,184	2,828,127	6,363,311
Restricted investments	5,173,845	6,282,164	11,456,009
Total assets	<u>29,983,774</u>	<u>12,262,882</u>	<u>42,246,657</u>
LIABILITIES			
Accounts payable	\$ 483,590	\$ 215,082	\$ 698,672
Deposits	79,284	31,452	110,736
Retainage	-	52,651	52,651
Unearned revenue	83,759	441	84,200
Taxes Payable	298	-	298
Wages payable	(75)	-	(75)
Total liabilities	<u>646,856</u>	<u>299,626</u>	<u>946,482</u>
DEFERRED INFLOWS OF RESOURCES			
InMisc	\$ 946,025	\$ -	\$ 946,025
InLessor lease	81,371	-	81,371
InTaxes	116,304	-	116,304
Total deferred inflows of resources	<u>1,143,700</u>	<u>-</u>	<u>1,143,700</u>
Total liabilities and deferred inflows of resources	<u>1,790,556</u>	<u>299,626</u>	<u>2,090,182</u>
FUND BALANCES (DEFICITS)			
Nonspendable	\$ 138,567	\$ 270	\$ 138,837
Restricted			
Arterial traffic improvements	-	654,705	654,705
Capital facilities plan	493,958	3,268,740	3,762,698
Drug seizure program	11,126	-	11,126
Park improvement programs	-	116,524	116,524
Parks	61,249	-	61,249
Paths and trails improvement	-	12,560	12,560
Public safety	9,752,418	-	9,752,418
Senior services operations and maintenance	-	40,000	40,000
Street surface improvements	-	3,751,728	3,751,728
Tourism promotion	-	754,987	754,987
Transportation capital improvements	-	2,540,125	2,540,125
Windjammer Park Project	-	337,467	337,467
Committed	2,423,830	486,151	2,909,980
Assigned	1,512,200	-	1,512,200
Unassigned	13,799,870	-	13,799,870
Total fund balances (deficits)	<u>\$ 28,193,218</u>	<u>\$ 11,963,257</u>	<u>\$ 40,156,475</u>
Total liabilities and fund balances (deficits)	<u>\$ 29,983,774</u>	<u>\$ 12,262,882</u>	<u>\$ 42,246,657</u>

The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

**City of Oak Harbor
Reconciliation of Balance Sheet
To the Statement of Net Position
For the Year Ended December 31, 2023**

Fund balances of governmental funds		40,156,475
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 are not reported in funds:		
Historical cost of assets not being depreciated	14,894,124	
Historical cost of assets being depreciated	64,411,390	
Accumulated depreciation	(38,695,822)	
		40,609,691
Long-term assets are not available to pay for current period expenditures and therefore deferred:		
Other long-term assets	(10,570)	
Taxes receivable	116,304	
		105,735
Pension asset, pension liabilities, and pension deferred items are not reported in the funds.		
		4,781,461
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(1,133,100)	
Bonds and loans payable	(9,172,381)	
Other post-employment benefits	201,581	
Other post-employment benefits, including deferred items	(2,847,726)	
		(12,951,626)
Internal service funds are used by management to charge the costs of fleet management, shop facilities and information systems to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		
		20,986,824
Net position of governmental activities		93,688,560

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

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 16,646,644	\$ 2,429,057	\$ 19,075,702
Licenses and permits	501,507	22,814	524,320
Intergovernmental	898,314	1,929,329	2,827,643
Charges for services	3,842,477	316,454	4,158,931
Fines and forfeits	34,631	-	34,631
Interest revenue	1,241,545	385,342	1,626,887
Miscellaneous	154,984	59,374	214,358
Total revenues	<u>23,320,103</u>	<u>5,142,369</u>	<u>28,462,472</u>
EXPENDITURES			
Current:			
General government	\$ 4,530,090	\$ 162,228	\$ 4,692,317
Judicial	388,429	-	388,429
Public safety	10,203,573	-	10,203,573
Transportation	-	1,635,313	1,635,313
Natural and economic environment	1,596,269	440,097	2,036,366
Social services	57,272	593,630	650,902
Culture and recreation	1,688,702	17,355	1,706,057
Debt service:			
Principal retirement	406,986	54,635	461,621
Interest	410,297	7,086	417,383
Capital outlay:			
Capital outlay	2,087,569	1,936,253	4,023,821
Total expenditures	<u>21,369,186</u>	<u>4,846,597</u>	<u>26,215,782</u>
Excess (deficiency) of revenues over expenditures	<u>1,950,917</u>	<u>295,773</u>	<u>2,246,690</u>
OTHER FINANCING SOURCES (USES)			
Debt Premiums or Discounts	\$ 558,290	\$ -	\$ 558,290
Bonds Issued	8,780,000	-	8,780,000
Other Sources - Lease	16,276	8,750	25,027
Transfers in	1,105,000	782,366	1,887,366
Transfers out	(248,358)	(1,414,009)	(1,662,366)
Total other financing sources (uses)	<u>10,211,208</u>	<u>(622,892)</u>	<u>9,588,316</u>
Net change in fund balances	12,162,125	(327,119)	11,835,006
Fund balances - beginning, as previously reported	16,026,568	12,290,376	28,316,944
Prior Period Adjustment	4,525	-	4,525
Fund balances - beginning as restated	<u>16,031,093</u>	<u>12,290,376</u>	<u>28,321,469</u>
Fund balance - ending	<u>\$ 28,193,218</u>	<u>\$ 11,963,257</u>	<u>\$ 40,156,475</u>

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

Note: Totals may not foot due to rounding.

City of Oak Harbor
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances - total government funds		11,835,006
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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 outlays exceeding depreciation in the current period:</p>		
Capital outlay	4,023,821	
Depreciation	<u>(1,645,997)</u>	2,377,824
<p>The effect of various miscellaneous transactions involving capital assets not reported in governmental funds:</p>		
Contributions of capital assets	<u>567,930</u>	567,930
<p>Proceeds from and repayment of governmental long-term debt is not reported in the funds.</p>		
		(8,970,777)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported in the funds:</p>		
Taxes	53,229	
Grants	<u>(30,184)</u>	23,044
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including:</p>		
Compensated absences	128,135	
Pension expense	778,617	
Other post-employment benefits, including deferred items	<u>125,769</u>	1,032,520
<p>Internal service funds are used by management to charge the costs of fleet management, shop facilities and information systems to individual funds. The net revenues and expenses of the internal service funds are reported with governmental activities in the statement of activities.</p>		
		1,455,768
Change in net position of governmental activities		<u><u>8,321,315</u></u>

City of Oak Harbor
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 13,064,934	\$ 13,464,734	\$ 16,646,644	\$ 3,181,910
Licenses and permits	515,850	515,850	501,507	(14,343)
Intergovernmental	1,715,270	1,739,270	898,314	(840,956)
Charges for services	2,825,100	2,825,100	3,842,477	1,017,377
Fines and forfeits	96,650	96,650	34,631	(62,019)
Interest revenue	257,000	257,000	1,241,545	984,545
Miscellaneous	120,000	120,000	154,984	34,984
Total revenues	<u>18,594,804</u>	<u>19,018,604</u>	<u>23,320,103</u>	<u>4,301,499</u>
EXPENDITURES				
Current:				
General government	\$ 4,344,904	\$ 4,436,800	\$ 4,530,090	\$ (93,290)
Judicial	390,700	390,700	388,429	2,271
Public safety	10,010,021	10,298,321	10,203,573	94,749
Natural and economic environment	1,662,483	1,685,083	1,596,269	88,814
Social services	59,000	59,000	57,272	1,728
Culture and recreation	1,735,666	1,736,666	1,688,702	47,964
Total current	<u>18,202,774</u>	<u>18,606,570</u>	<u>18,464,335</u>	<u>142,235</u>
Debt service:				
Principal retirement	-	-	406,986	(406,986)
Interest	-	-	410,297	(410,297)
Total debt service	<u>-</u>	<u>-</u>	<u>817,283</u>	<u>(817,283)</u>
Capital outlay:				
Capital outlay	2,688,000	3,272,200	2,087,569	1,184,631
Total capital outlay	<u>2,688,000</u>	<u>3,272,200</u>	<u>2,087,569</u>	<u>1,184,631</u>
Total expenditures	<u>20,890,774</u>	<u>21,878,770</u>	<u>21,369,186</u>	<u>509,584</u>
Excess (deficiency) of revenues over expenditures	<u>(2,295,970)</u>	<u>(2,860,166)</u>	<u>1,950,917</u>	<u>4,811,082</u>
OTHER FINANCING SOURCES (USES)				
Debt Premiums or Discounts	\$ -	\$ -	\$ 558,290	\$ 558,290
Bonds Issued	2,063,636	2,063,636	8,780,000	6,716,364
Other Sources - Lease	-	-	16,276	16,276
Transfers in	1,035,000	1,035,000	1,105,000	70,000
Transfers out	(247,499)	(248,499)	(248,358)	141
Total other financing sources (uses)	<u>2,851,137</u>	<u>2,850,137</u>	<u>10,211,208</u>	<u>7,361,071</u>
Net change in fund balances	555,167	(10,029)	12,162,125	12,172,154
Fund balances - beginning, as previously reported	16,026,568	16,026,568	16,026,568	-
Prior Period Adjustment	4,525	4,525	4,525	-
Fund balances - beginning as restated	<u>16,031,093</u>	<u>16,031,093</u>	<u>16,031,093</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,586,261</u>	<u>\$ 16,021,065</u>	<u>\$ 28,193,218</u>	<u>\$ 12,172,154</u>

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

Note: Totals may not foot due to rounding.

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

	Business-type Activities						Governmental
	Water Fund	Sewer Fund	Solid Waste Fund	Storm Drain Fund	Marina Fund	Total Enterprise	Internal Service
ASSETS							
Current assets:							
Cash & cash equivalents	\$ 7,953,394	\$ 6,439,715	\$ 1,312,579	\$ 1,730,178	\$ 838,630	\$ 18,274,496	\$ 6,065,551
Investments	10,240,847	8,119,049	1,769,430	2,181,369	1,508,264	23,818,959	7,647,311
Accounts receivable (net)	769,768	1,369,380	516,119	227,317	124,689	3,007,273	-
Deposits receivable	-	-	-	-	7,000	7,000	-
Due from other governments	-	-	-	-	8,269	8,269	-
Inventories	-	-	-	-	50,823	50,823	24,194
Prepays	-	160	-	-	-	160	192,038
Restricted cash	78,823	-	90,864	-	100,666	270,354	-
Internal accounts	-	43,703	-	-	-	43,703	-
Total current assets	<u>19,042,832</u>	<u>15,972,006</u>	<u>3,688,992</u>	<u>4,138,864</u>	<u>2,638,342</u>	<u>45,481,036</u>	<u>13,929,094</u>
Noncurrent assets:							
Pension asset	109,979	203,680	164,507	106,267	123,298	707,732	393,653
Land	104,351	1,626,584	201,810	286,800	3,175,421	5,394,966	-
Right-to-use asset-leases	-	6,463	-	-	137,274	143,737	15,706
Right-to-use asset-SBITA	-	-	-	-	-	-	1,903
Construction in progress	148,000	517,275	-	80,263	168,817	914,354	-
Buildings and systems	-	125,530,695	-	-	423,774	125,954,470	2,405,476
Improvements and infrastructure	19,646,483	11,898,920	-	2,981,292	1,051,971	35,578,665	191,261
Machinery and equipment	157,948	689,466	46,640	15,486	113,886	1,023,426	4,654,747
Restricted Cash	90,428	-	-	-	257,000	347,428	-
Total noncurrent assets	<u>20,257,188</u>	<u>140,473,083</u>	<u>412,957</u>	<u>3,470,108</u>	<u>5,451,442</u>	<u>170,064,778</u>	<u>7,662,746</u>
Total assets	<u>39,300,019</u>	<u>156,445,090</u>	<u>4,101,949</u>	<u>7,608,972</u>	<u>8,089,784</u>	<u>215,545,814</u>	<u>21,591,840</u>
DEFERRED OUTFLOWS OF RESOURCES							
OutARO	\$ 12,022	\$ -	\$ -	\$ -	\$ 74,928	\$ 86,950	\$ -
OutPension	86,738	157,951	129,064	86,135	96,951	556,839	312,564
Total deferred outflows of resources	<u>98,759</u>	<u>157,951</u>	<u>129,064</u>	<u>86,135</u>	<u>171,879</u>	<u>643,789</u>	<u>312,564</u>
Total assets and deferred outflows of resources	<u>39,398,779</u>	<u>156,603,041</u>	<u>4,231,013</u>	<u>7,695,107</u>	<u>8,261,663</u>	<u>216,189,603</u>	<u>21,904,405</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 323,034	\$ 177,616	\$ 298,833	\$ 61,038	\$ 176,278	\$ 1,036,798	\$ 321,235
Lease liability	-	1,551	-	-	25,224	26,775	3,156
Deposits	78,210	-	90,864	-	117,911	286,986	-
Interest payable	382	443,543	-	683	-	444,608	-
Wages payable	529	-	-	-	(492)	37	-
Compensated absences	5,016	3,884	19,293	22,184	7,588	57,965	23,507
ARO	11,948	-	-	-	-	11,948	-
Due to other governments	51,344	4,885,520	-	58,585	-	4,995,449	-
Bonds payable, net	-	-	-	-	356,900	356,900	-
Internal accounts	43,703	-	-	-	-	43,703	-
Total current liabilities	<u>514,166</u>	<u>5,512,114</u>	<u>408,991</u>	<u>142,490</u>	<u>683,409</u>	<u>7,261,169</u>	<u>347,899</u>
Noncurrent liabilities:							
Lease liability	-	5,075	-	-	112,718	117,793	12,595
LARO	23,896	-	-	-	136,682	160,578	-
LDue to other governments	79,707	76,681,756	-	410,093	-	77,171,557	-
LCompensated absences	38,241	27,253	127,152	142,946	54,529	390,120	167,776
LBonds payable, net	-	25,763,157	-	-	360,000	26,123,156	-
Pension obligation	47,341	87,676	70,813	45,743	53,075	304,649	169,451
Total noncurrent liabilities	<u>189,185</u>	<u>102,564,916</u>	<u>197,965</u>	<u>598,782</u>	<u>717,004</u>	<u>104,267,853</u>	<u>349,822</u>
Total liabilities	<u>703,351</u>	<u>108,077,030</u>	<u>606,956</u>	<u>741,272</u>	<u>1,400,413</u>	<u>111,529,022</u>	<u>697,721</u>
DEFERRED INFLOWS OF RESOURCES							
InPension	\$ 61,700	\$ 113,937	\$ 92,104	\$ 59,942	\$ 68,501	\$ 396,183	\$ 219,859
Total deferred inflows of resources	<u>61,700</u>	<u>113,937</u>	<u>92,104</u>	<u>59,942</u>	<u>68,501</u>	<u>396,183</u>	<u>219,859</u>
Total liabilities and deferred inflows of resources	<u>765,051</u>	<u>108,190,967</u>	<u>699,060</u>	<u>801,214</u>	<u>1,468,913</u>	<u>111,925,205</u>	<u>917,580</u>
NET POSITION							
Net investment in capital assets	\$ 19,901,834	\$ 32,938,970	\$ 248,449	\$ 2,895,163	\$ 4,216,302	\$ 60,200,718	\$ 7,265,937
Restricted for:							
Debt service	-	-	-	-	257,000.00	257,000.00	-
Pension	134,779	248,138	201,330	131,476	151,553	867,276	484,801
Unrestricted	18,597,115	15,224,967	3,082,174	3,867,255	2,167,895	42,939,404	13,236,086
Total net position	<u>\$ 38,633,728</u>	<u>\$ 48,412,074</u>	<u>\$ 3,531,953</u>	<u>\$ 6,893,893</u>	<u>\$ 6,792,750</u>	<u>\$ 104,264,398</u>	<u>\$ 20,986,824</u>

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

Note: Totals may not foot due to rounding.

City of Oak Harbor
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities						Governmental
	Water Fund	Sewer Fund	Solid Waste Fund	Storm Drain	Marina Fund	Total Enterprise	Internal Service
OPERATING REVENUES							
Charges for services	\$ 6,802,063	\$ 12,430,290	\$ 4,744,800	\$ 1,964,619	\$ 2,021,245	\$ 27,963,018	\$ 3,757,646
System development revenue	98,644	78,476	-	-	-	177,120	-
Other operating revenues	2,976	140	-	17,714	-	20,830	3,904,477
Total operating revenues	<u>6,903,683</u>	<u>12,508,906</u>	<u>4,744,800</u>	<u>1,982,334</u>	<u>2,021,245</u>	<u>28,160,968</u>	<u>7,662,122</u>
OPERATING EXPENSES							
ARO	\$ 3,771	\$ -	\$ -	\$ -	\$ 16,962	\$ 20,733	\$ -
Cost of sales and service	3,632,953	1,288,992	807,057	519,691	1,337,365	7,586,058	2,847,483
Contractual services	53,434	187,995	17,462	42,204	108,841	409,936	727,979
Utilities	22,829	582,421	1,791,548	-	85,596	2,482,394	90,476
Taxes	745,676	1,014,915	509,969	147,487	7,581	2,425,628	-
Repairs and maintenance	176,925	180,150	563,301	132,541	242,569	1,295,487	635,733
Sinking Fund Contributions	329,674	1,003,678	283,885	59,645	25,165	1,702,047	319,578
Cost Allocation	1,007,624	1,538,960	459,475	457,837	291,666	3,755,562	867,988
Insurance claims and expenses	88,159	287,264	69,425	27,340	67,146	539,334	116,735
Depreciation	1,056,665	3,564,664	3,821	219,631	202,097	5,046,879	942,855
Other operating expenses	68,023	97,197	32,049	64,282	63,415	324,966	37,058
Total operating expenses	<u>7,185,733</u>	<u>9,746,237</u>	<u>4,537,993</u>	<u>1,670,659</u>	<u>2,448,404</u>	<u>25,589,026</u>	<u>6,585,885</u>
Operating income (loss)	<u>(282,050)</u>	<u>2,762,669</u>	<u>206,807</u>	<u>311,675</u>	<u>(427,159)</u>	<u>2,571,943</u>	<u>1,076,238</u>
NONOPERATING REVENUES (EXPENSES)							
Interest revenue	\$ 850,503	\$ 748,655	\$ 143,858	\$ 189,142	\$ 82,470	\$ 2,014,627	\$ 288,396
External subsidies	-	931	-	87,460	16,275	104,666	-
Other nonoperating revenues	1,358	39,822	2,511	2,280	57,923	103,894	86,956
Interest expense	(762)	(2,243,999)	-	(1,233)	(15,500)	(2,261,494)	(267)
Insurance recoveries	-	-	-	-	486,307	486,307	4,445
Total nonoperating revenues (expenses)	<u>851,098</u>	<u>(1,454,590)</u>	<u>146,369</u>	<u>277,649</u>	<u>627,475</u>	<u>448,001</u>	<u>379,530</u>
Income (loss) before contributions and transfers	569,049	1,308,079	353,176	589,324	200,316	3,019,943	1,455,768
Capital contributions	517,576	221,409	-	177,401	-	916,385	-
Transfers in	-	-	-	-	-	-	40,000
Transfers out	(75,000)	(75,000)	-	(75,000)	-	(225,000)	(40,000)
Change in net position	1,011,625	1,454,488	353,176	691,724	200,316	3,711,329	1,455,768
Net position - beginning, as previously reported	37,622,103	46,957,586	3,178,777	6,202,169	6,617,777	100,578,412	19,531,057
Prior Period Adjustment	-	-	-	-	(25,343)	(25,343)	-
Net position - beginning as restated	<u>37,622,103</u>	<u>46,957,586</u>	<u>3,178,777</u>	<u>6,202,169</u>	<u>6,592,434</u>	<u>100,553,069</u>	<u>19,531,057</u>
Net position - ending	<u>\$ 38,633,728</u>	<u>\$ 48,412,074</u>	<u>\$ 3,531,953</u>	<u>\$ 6,893,893</u>	<u>\$ 6,792,750</u>	<u>\$ 104,264,398</u>	<u>\$ 20,986,824</u>

The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

City of Oak Harbor
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Water Fund	Sewer Fund	Solid Waste Fund	Storm Drain Fund	Marina Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from customers	\$ 6,830,198	\$ 12,550,773	\$ 4,759,293	\$ 1,956,008	\$ 2,064,141	\$ 28,160,412	\$ -
Receipts from interfund services provided	2,976	-	-	17,714	-	20,690	7,662,122
Payments to suppliers	(4,192,136)	(2,771,227)	(2,582,362)	(414,306)	(1,367,938)	(11,327,969)	(2,572,276)
Payments to employees	(379,596)	(701,697)	(575,170)	(361,364)	(465,728)	(2,483,556)	(1,348,071)
Payments for interfund services used	(1,501,761)	(2,712,170)	(1,308,932)	(654,325)	(323,466)	(6,500,654)	(1,659,209)
Net cash provided (used) by operating activities	<u>759,681</u>	<u>6,365,680</u>	<u>292,829</u>	<u>543,726</u>	<u>(92,991)</u>	<u>7,868,924</u>	<u>2,082,567</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from other funds	-	-	-	-	-	-	40,000
Transfers to other funds	(75,000)	(75,000)	-	(75,000)	-	(225,000)	(40,000)
Receipts from miscellaneous revenues	1,358	39,822	2,511	2,280	560,505	606,476	91,400
Net cash provided (used) by noncapital financing activities	<u>(73,642)</u>	<u>(35,178)</u>	<u>2,511</u>	<u>(72,720)</u>	<u>560,505</u>	<u>381,476</u>	<u>91,400</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal paid on capital debt	(51,344)	(4,800,923)	-	(58,585)	(378,029)	(5,288,880)	14,108
Interest paid on capital debt	(912)	(2,265,847)	-	(1,318)	(15,500)	(2,283,577)	(267)
Purchases of capital assets	(1,009,336)	(526,816)	(33,546)	(451,807)	(162,118)	(2,183,623)	(1,823,732)
Capital grants and contributions	-	931	-	87,460	-	88,391	-
Net cash provided (used) by capital and related financing activities	<u>(1,061,592)</u>	<u>(7,592,654)</u>	<u>(33,546)</u>	<u>(424,250)</u>	<u>(555,647)</u>	<u>(9,667,689)</u>	<u>(1,809,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturity of investments	8,673,027	5,635,754	1,204,138	1,827,779	1,048,388	18,389,086	7,196,278
Purchase of investments	(5,183,061)	(3,356,439)	(2,973,567)	(1,326,736)	(2,556,652)	(15,396,456)	(5,438,438)
Interest and dividends received	850,503	748,655	143,858	189,142	82,470	2,014,627	288,396
Net cash provided (used) by investing activities	<u>4,340,468</u>	<u>3,027,970</u>	<u>(1,625,572)</u>	<u>690,185</u>	<u>(1,425,794)</u>	<u>5,007,257</u>	<u>2,046,237</u>
Net increase (decrease) in cash and cash equivalents	<u>3,964,916</u>	<u>1,765,818</u>	<u>(1,363,778)</u>	<u>736,940</u>	<u>(1,513,927)</u>	<u>3,589,968</u>	<u>2,410,313</u>
Balances - beginning of year	4,157,729	4,673,898	2,767,221	993,238	2,710,224	15,302,309	3,655,238
Balances - end of the year	<u>\$ 8,122,644</u>	<u>\$ 6,439,715</u>	<u>\$ 1,403,443</u>	<u>\$ 1,730,178</u>	<u>\$ 1,196,297</u>	<u>\$ 18,892,277</u>	<u>\$ 6,065,551</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating Income	\$ (282,050)	\$ 2,762,669	\$ 206,807	\$ 311,675	\$ (427,159)	\$ 2,571,943	\$ 1,076,238
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	1,056,665	3,564,664	3,821	219,631	202,097	5,046,879	942,855
Asset Retirement Obligation	3,771	-	-	-	16,962	20,733	-
Changes in assets and liabilities:							
Change in accounts receivable	(57,353)	41,867	(1,633)	(8,592)	37,475	11,764	-
Change in deposits receivable	-	-	-	-	(7,000)	(7,000)	-
Change in due from other governments	-	-	-	-	8,016	8,016	-
Change in inventories	-	-	-	-	44	44	7,404
Change in deferred outflows	15,067	48,055	24,744	721	4,276	92,863	26,781
Change in accounts payable	89,109	78,570	132,009	50,171	104,324	454,182	142,315
Change in deposits	(13,156)	-	16,126	(20)	4,404	7,354	-
Change in compensated absences	13,642	1,807	10,467	26,731	29,361	82,009	62,557
Change in pension obligations	(19,352)	(28,172)	(28,292)	(23,372)	(27,125)	(126,313)	(79,089)
Change in deferred inflows	(46,662)	(104,367)	(71,221)	(33,969)	(38,933)	(295,152)	(141,592)
Change in prepaids	-	586	-	750	265	1,601	45,097
Net cash provided (used) by operating activities	<u>\$ 759,681</u>	<u>\$ 6,365,680</u>	<u>\$ 292,829</u>	<u>\$ 543,726</u>	<u>\$ (92,991)</u>	<u>\$ 7,868,924</u>	<u>\$ 2,082,567</u>
Noncash investing, capital and financing activities							
Contributions of capital assets from developer construction	\$ (517,576)	\$ (221,409)	\$ -	\$ (177,401)	\$ -	\$ (916,385)	\$ -
Total noncash investing, capital and financing activities	<u>(517,576)</u>	<u>(221,409)</u>	<u>-</u>	<u>(177,401)</u>	<u>-</u>	<u>(916,385)</u>	<u>-</u>
CASH RECONCILIATION							
Actual Balance - end of year	\$ 8,122,644	\$ 6,439,715	\$ 1,403,443	\$ 1,730,178	\$ 1,196,297	\$ 18,892,277	\$ 6,065,551
Balance - end of year out of balance	-	-	-	-	-	-	-

The notes to financial statements are an integral part of this statement.
Note: Totals may not foot due to rounding.

Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Oak Harbor 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.

A. Reporting Entity

The City of Oak Harbor, located in Island County, Washington, was incorporated on May 14, 1915. The City operates under the laws of the state of Washington applicable to an optional code city with a Mayor-Council form of government. The governing body consists of eight elected officials, the mayor and seven council members. The mayor and council members are each elected to serve a four-year term. The City Administrator administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Administrator. The City provides what are considered general government services including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administrative, water, sanitary sewer collection, solid waste collection and storm drainage services.

The City's Annual Financial Report includes all funds and organizations that are controlled by or dependent on the City. Control by the City was determined on the basis of financial accountability, budget adoption, taxing authority, and resource allocation criteria. Dependence on the City was determined by 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 1, the combined financial statements do not include the financial position or results of operation for:

The Oak Harbor Library -

Although the City has a contract with the Sno-Isle Library System that obligates the City to provide a portion of the insurance and intergovernmental charges for services, the Sno-Isle Library is a separate municipal corporation and is not a component unit of the City.

North Whidbey Park District -

The North Whidbey Park and Recreation District is a separate corporation with an independently elected Board of Directors.

B. Government-wide and Fund Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. 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. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include indirect cost allocation charges between the City's business-type activities, as well as certain special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Statement of Net Position presents the financial condition of the City's governmental and business-type activities of the year end. It reports all financial and capital assets including infrastructure and all liabilities, including current and long-term.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the City reports the following fund types:

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

Debt Service Funds account for resources accumulated and payment made for principal and interest on the general government except those required to be accounted for in another fund.

Capital Project Funds account for the acquisition or development of capital facilities for governmental activities. The major sources of revenue are real estate excise taxes, proceeds from general obligation bonds, grants, and contributions from other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

2. 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 a liability is incurred regardless of the timing of the cash flows.

The City reports the following major proprietary funds:

The *Water Fund* accounts for providing water services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and operations of a water supply, storage and distribution system.

The *Sewer Fund* accounts for providing sewer services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and operations of drainage, sewer service facilities, maintaining sewer collection and transmission systems.

The *Solid Waste Fund* accounts for operations of the collection and transportation of solid waste. Its revenues are received from service charges. Expenses are made up of the cost of collection and disposal of solid waste.

The *Storm Drain Fund* accounts for the operation, construction, and maintenance of the storm water management system.

The *Marina Fund* accounts for the operation, construction, and maintenance of the municipal marina. Revenues consist of service and rental fee income received from visiting boaters and permanent tenants who live onboard moored vessels. Expenses are for operations, maintenance and repairs of marina infrastructure, and capital upgrades.

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods and services provided by one City department or agency to another City department or agency on a cost reimbursement basis. The City has five *Internal Service Funds*:

The *Equipment Repair Fund* accounts for the motor pool operations of the City. Maintenance and operation costs are charged to each user department on a monthly basis.

The *Equipment Replacement Fund* accumulates funds for future purchases of vehicles and equipment. Cash reserves or "sinking funds" are established to fully fund vehicle and major equipment needs at the time of purchase.

The *Facility Replacement Fund* accumulates funds for future repairs on facilities.

The *Technology Replacement Fund* accumulates funds for future purchases of hardware and software.

The *Shop Facility Fund* accounts for the cost of operating the Public Works facility campus and supervision of the various Public Works divisions. Each division that is housed at the facility is charged space rent, with the annual proceeds used to pay maintenance and the overhead.

The City does not currently utilize Trust, Agency, or Permanent funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 proprietary funds are charges for goods and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

1. Scope of Budget

The City prepares a biennial budget in accordance with the Revised Code of Washington (RCW) 35A.34 that is on a basis consistent with accounting principles generally accepted in the United States of America. In compliance with the code, budgets for all funds are established. Budgets established for the proprietary funds are considered "management budgets," and as such, are not required to be reported in the Annual Financial Report.

The budget, as adopted, constitutes the legal authority for expenditures. Appropriations are authorized for the two years of the biennial budget period and are reviewed by the City Council at the midpoint of the biennial period. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at the fund level of detail. Transfers or revisions between departments or line items within a fund are allowed, but supplemental or additional appropriations to the adopted fund total must be approved by the legislative authority. All appropriations, except for capital projects, lapse at the end of each biennial period. Unexpended resources must be re-appropriated in the subsequent period.

2. Amending the Budget

The Finance Director is authorized to transfer budgeted amounts between departments or line items within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, must be approved by the City Council.

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

The budget amounts shown in the financial statements are the final authorized amounts as revised 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.

3. Budgetary Compliance

Though specific line items may be exceeded, no fund's appropriation total can be legally exceeded. It should be noted, however, that the "Statement of Revenues, Expenditures and Changes in Fund Balances" including the comparisons of "Budget and Actual," could be misinterpreted due to its format and, by so doing, lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also the full amount of "Beginning Fund Balances" so as to maintain a budget balance between receipts and disbursements. In addition, the City does not budget for depreciation of fixed assets due to the non-cash nature of this expense.

4. Deficit Fund Net Position

The City had no funds with deficit net position.

E. Assets, Liabilities, Fund Balance, and Net Position

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses (see Note 3 - Deposits and Investments). As of December 31, 2023, the City had \$35,164,459.26 in short-term residual investments of cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds based upon the fund's average cash balance. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The City also invests funds with the Washington State Local Governmental Investment Pool (LGIP). The City considers these funds to be cash and cash equivalents due to their highly liquid nature with the exception of a separate LGIP account to account for unspent bond proceeds related to the Unlimited Tax General Obligation Bonds for public safety purposes (see Note 9 – Long-term Debt) .

2. Investments

In accordance with GASB 79, qualifying short-term investments in external 2a7-like pools with a remaining maturity of one year or less at the time of purchase are stated at amortized cost. In accordance with GASB 31, all other investments are stated at fair value. The City uses quoted market prices at December 31, 2023 to establish the fair market value of investments and adjusts the carrying value accordingly. Investments are allocated to individual high-balance funds based on the fund's prorated percentage of cash balance at year end. As of December 31, 2023, the City had \$53,179,857 in investments (see Note 3 - Deposits and Investments).

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (see Note 4 - Property Taxes). 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 billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

The City has established an allowance for doubtful accounts for receivables originating from the City's contracted municipal court operations. This allowance is determined by an analysis of historical collectability, with a multi-year average being applied to the total outstanding balance of municipal court receivables.

4. Amounts Due To and From Other Funds and Governmental Units, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *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 14 - Interfund Balances and Transfers.

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

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for customer deposits, construction and debt service, including current and delinquent special assessments receivable, if any, in enterprise funds. The related liabilities are held in deposits and the related net position is shown as restricted for capital outlay and debt service. Specific debt service reserve requirements are described in Note 9 - Long-term Debt.

The restricted assets of the enterprise funds are composed of the following:

2023	
Capital projects	\$ 90,428
Customer deposits	270,354
Debt service	257,000
Total restricted cash	\$ 617,781

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, pathways, street lights) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities are no longer included as part of the capitalized value of the assets constructed due to GASB 89.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	10-50
Improvements other than buildings	10-50
Machinery and equipment	5-25
SBITA's	>1-10
Vehicles	5-10
Utility systems	25-70
Infrastructure	20-70

Details of capital assets are furnished in Note 5 - Capital Assets and Depreciation.

8. Deferred Inflows of Resources

Deferred inflows of resources include amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criterion (availability) has not been met.

9. Accrued Liabilities

Accrued liabilities are reported in the government-wide financial statements. Also, all payables and accrued liabilities from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities, once incurred, are paid from current financial resources. Charges incurred, but unpaid, are reported as obligations of the funds.

10. Custodial Accounts

These accounts reflect the liability for net monetary assets being held by the City in its trustee or agency capacity.

11. Unearned Revenues

Unearned revenues consist of amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

12. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, and proprietary fund financial statements. In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the Compensated Absences Fund. In proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

City employees accumulate vacation and sick leave on a monthly basis. Employees earn vacation at a rate of a certain number of hours per year. The number of hours per year depends upon length of service. Annual vacation may be accumulated to a maximum of two years accrual. Sick leave for all employees is earned at a rate of one day per month.

At termination of employment, certain employees with required length of service may receive cash payment for accumulated vacation and a percentage of sick leave with five (5) or more years of service. The payment is based on current wages at the time of termination of service.

13. Long-term Debt

In the government-wide financial statements, and proprietary fund types in the 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 type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses (see Note 9 - Long-term Debt).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

14. Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977.

A liability is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred (see Note 16 – Defined Benefit Other Postemployment Benefits (OPEB) Plan).

15. Pensions

For purposes of measuring the net pension liability, 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 7 – Pension Plans). For the purposes of calculating restricted net position related to each individual pension plan's net pension asset: The restricted net position is equal to the net pension asset, minus the deferred inflows, plus the deferred outflows; this only applies to pension plans that have a net pension asset (deferred inflows and deferred outflows for the pension plans are only used for those that have a net pension asset).

16. Fund Balance Classification Policies and Procedures

Fund balance equals the difference between the assets and liabilities reported in a governmental fund. Implemented by the City by ordinance in 2011, GASB 54 eliminates the use of the terms "reserved" and "designated" in the reporting of fund balance, and replaces those terms with five new categories for classifying fund balance as follows:

Non-spendable Fund Balance — Includes amounts either not in spendable form, or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.

Restricted Fund Balance — Reflects the same definition as restricted net position: constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds, debt service funds, and program funds funded with federal program dollars.

Committed Balance — The City considers committed fund balances to be those amounts that are committed for specific purposes by the adoption of an ordinance by City Council. Amounts classified as "committed" are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the City Council removes or changes the limitation by adoption of an ordinance. Action to constrain resources must occur prior to yearend; however, the amount can be determined in the subsequent period.

Assigned Fund Balance — The City considers amounts that are intended by the city to be used for specific purposes, but are neither restricted nor limited, to be reported as assigned fund balance. The City Council, via its adopted policy, delegates the authority to assign amounts to be used for specific purposes to the Finance Director for the purpose of reporting these amounts in the annual financial statements.

Assigned fund balance includes:

- (a) For the General Fund, these are the amounts assigned by the Finance Director intended to be used for specific purposes. The amounts reported as assigned do not result in a deficit in unassigned fund balance.
- (b) For all governmental funds (other than General Fund), these are all remaining positive amounts (except for negative balances) that are not classified as non-spendable and are neither restricted nor committed. However, if there is a negative balance after classifying amounts as non-spendable, restricted or committed, the fund would report a negative amount as unassigned and zero to be reported as assigned.

Unassigned Fund Balance — The City considers residual amounts that are otherwise not constrained at all will be reported in the general fund. These are technically available for any purpose. Only the General Fund

can report a positive "unassigned fund balance."

17. Fund Balance Spending Order

When both restricted and unrestricted fund balance is available for an expenditure to be incurred for a certain purpose, unless legal requirements disallow it, the City will spend the most restricted dollars before less restricted in the following order:

1. Non-spendable – if the associated assets become spendable
2. Restricted
3. Committed
4. Assigned
5. Unassigned

18. Details of Fund Balance Classification

The City has elected to present the components of fund balance, in aggregate, on the face of the financial statements. Information for all detailed components of fund balance reflecting specific purpose information, including the separate presentation of non-spendable fund balance is as follows:

	General Fund	Other Governmental Funds	Total
Fund Balances:			
Unspendable for:			
Prepays	138,567	270	138,837
Restricted for:			
Drug Seizure Program	11,126		11,126
Public Safety	9,752,418		9,752,418
Street Surface Improvements		3,751,728	3,751,728
Arterial Traffic Improvements		654,705	654,705
Transportation Capital Improvements		1,114,487	1,114,487
Transportation Benefit District Improvements		1,425,637	1,425,637
Paths And Trails Improvements		12,560	12,560
Tourism Promotion		754,987	754,987
Park Improvement Programs	61,249	453,991	515,240
Capital Facilities Plan	493,958	3,268,740	3,762,698
Senior Services Program		40,000	40,000
Committed to:			
Park Improvement Programs	160,138		160,138
Community Art		248,710	248,710
Senior Services Program		156,481	156,481
Windjammer Park		80,960	80,960
Stabilization Arrangement	2,263,692		2,263,692
Assigned to:			
Street Surface Improvements			-
Office Operations	527,350		527,350
Council Specified Expenditures	984,850		984,850
Unassigned:			
General Fund Unassigned	13,871,442	-	13,871,442
Whidbey Marathon Operating Funds	(71,572)		(71,572)
Total Fund Balances	28,193,218	11,963,257	40,156,475

Note: Totals may not foot due to rounding.

F. General Fund Stabilization Arrangement

On July 3, 2012, the City Council of the City of Oak Harbor passed Ordinance #1630 establishing a General Fund Revenue Stabilization Fund. The City Council’s intent of this ordinance is to create a stabilization arrangement, as described in GASB 54, for the purpose of identifying, reserving, and accumulating unexpended General Fund resources for use in mitigating impacts of non-routine unanticipated General Fund revenue shortfalls, budgetary imbalances, and shortages in working capital.

On December 4, 2018, the City passed Ordinance #1843, amending section 3.09 General Fund Revenue Stabilization Fund of the Oak Harbor Municipal Code.

The Ordinance addresses the missing language for repayment after the use of funds and how one-time revenues should be treated. It also reduces the transfer to the General Fund Revenue Stabilization Fund to an amount equal to 10% of the General Fund Revenues. This combined with the 16.67% of the General Fund balance that is retained allows for reserves at a level Government Financial Officers Association (GFOA) and Municipal Research and Services Center (MRSC) considers best practice.

Requirements for additions - There shall be deposited into the General Fund Revenue Stabilization Fund contributions from the General Fund in amounts determined by the city council. Such City Council approved contributions may consist of:

- (a) General Fund resources identified in the adopted budget for a fiscal year or any year of a fiscal biennium as contributions to the General Fund Revenue Stabilization Fund;
- (b) General Fund revenues in amounts greater than anticipated in the budget for a fiscal year or any year of a fiscal biennium;
- (c) Other General Fund resources deemed appropriate by the city council.

The city will maintain general fund revenue stabilization fund reserves at a level equal to at least 10% of the total fiscal year ending actual general fund revenues, excluding any significant one-time revenue. Needed transfers will occur as part of the year end procedures and prior to final closure of the fiscal year. The purpose of the fund is to sustain city services in the event of a catastrophic event such as a natural or manmade disaster (e.g., earthquake, windstorm, flood, terrorist attack), or a major downturn in the economy.

These reserved funds may be appropriated only by a vote of not less than four members of the city council or the unanimous vote of a legal quorum. If the funds are approved for use, the city will begin to replenish these reserves at the end of the biennium if a surplus exists, but no later than the biennium following their use.

As of December 31, 2023, the cash balance for the Stabilization arrangement is \$2,263,691.59.

Note 2 – Stewardship, Compliance, and Accountability

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

Note 3 – Deposits and Investments

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

All surplus cash is invested in accordance with an investment policy approved by Oak Harbor City Council. The investment policy has been certified by the Municipal Treasurer's Association and is in compliance with state law. Qualifying investments include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit and repurchase agreements.

The Washington State Local Government Investment Pool (LGIP) investments are considered cash equivalents because they can be withdrawn with one day's notice.

The following is a reconciliation of cash and cash equivalents as shown in the Government-wide Statement of Net Position as of December 31, 2023:

Cash Reconciliation		Amount
Account Statements		
Bank balances	\$	7,689,721
Washington State Local Gov. Inv. Pool		35,999,948
Total	\$	43,689,668
Financial Statements		
Cash and cash equivalents	\$	42,145,552
Outstanding bank items		1,547,017
Cash on hand		(2,900)
Total	\$	43,689,668

Note: Totals may not foot due to rounding.

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

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

The LGIP was created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the state of Washington, available to eligible governmental entities as defined by Revised Code of Washington (RCW) 43.250.020. Participation is voluntary.

The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP. The State Treasurer and designated investment officers adhere to all restrictions on the investment of funds established by law and policy.

The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP does not have any legally binding guarantees of share value.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. Participants must inform OST of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made, except for funds transmitted by automated clearing house (ACH). Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of the transaction, other than those by ACH. However, participants may complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m., at the sole discretion of OST. ACH transactions require notification no later than 2 p.m. on the prior business day. All participants are required to file documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

As of December 31, 2023 the City held the following investments at fair value:

Investments	Valuation Method	Fair Value	Maturity		
			Under 1 Year	1 - 2 Years	Over 2 Years
Federal Farm Credit	Level 2	\$ 21,746,695	\$ 11,767,197	\$ 7,970,288	\$ 2,009,211
Federal Agric MTG Corp	Level 2	\$ 2,020,148			\$ 2,020,148
Federal Home Loan Bank	Level 2	\$ 19,731,166	\$ 11,856,130	\$ 3,951,548	\$ 3,923,488
US Treasury	Level 2	\$ 9,681,848	\$ 9,681,848		
Total investments by fair value		\$ 53,179,857	\$ 33,305,175	\$ 11,921,836	\$ 7,952,846

Note: Totals may not foot due to rounding.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Oak Harbor would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's Investment Policy requires that all security transactions entered into by the City of Oak Harbor be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in safekeeping by a third-party custodian. All of the City's securities at year end were held in safekeeping by a third-party custodian.

Credit Risk. Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's investment policy applies the prudent person standard; Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City on December 31, 2023 were AA+ by Standard and Poor.

Concentration of Credit Risk. The City diversifies its investments by security type and institution. 100% of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. With the exception of U.S. Treasury securities and authorized pools, the City's investment policy does not allow for an investment in any one issuer that is in excess of 50% of the City's total investment portfolio.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the City's policy requires that it diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. The LGIP is a short-term investment pool. To provide for safety and liquidity of funds, the LGIP consists of high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity (WAM) and weighted average life (WAL) limits not to exceed 60 and 120 days, respectively. As of June 30, the LGIP had a WAM of 14 days and a WAL of 106 days.

Note 4 – Property Taxes

The Island County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 28	Tax bills are mailed
April 30	First of two equal installment payments are due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The City of Oak Harbor's maximum property tax levy rate has been reduced from \$3.60 to \$3.2085 - the amount of this reduction directed to supporting the Sno-Isle regional library.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

The City of Oak Harbor adopted Resolution 22-17 on July 12, 2022, submitting Proposition 1, Fire Protection Property Tax Levy Lid Lift, to the voters on the 2022 General Election for fire protection response time improvements, including the addition of firefighters, equipment, and associated costs. Proposition 1 passed on November 8, 2022, with 61.23% of the voters voting in favor (50%, plus one threshold required).

The City of Oak Harbor adopted Resolution 22-18 on July 12, 2022, submitting Proposition 2, General Obligation Bonds for Fire Station and Equipment, to the voters for acquisition of property, construction and equipping a second fire station and acquisition of a new ladder truck. Proposition 2 was passed on November 8, 2022, with 62.60% voter approval (60% supermajority threshold required).

The City's regular levy for 2023 with Levy Lid Lift was \$2.4889456272 per \$1,000 on an assessed valuation of \$2,974,057,693 for a regular levy of \$7,402,267.89.

The City's Bond Levy for 2023 was \$0.2370390749 per \$1,000 on an assessed valuation of 2,953,099,611 for a bond levy of \$700,000.

Note 5 – Capital Assets and Depreciation

Governmental-type capital assets activity for the year ended December 31, 2023 was as follows:

Governmental Activities:	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital assets not being depreciated:				
Land	12,092,799	-	-	12,092,799
Construction in progress	1,117,319	2,296,306	(662,301)	2,751,324
Intangible assets	50,000	-	-	50,000
Total capital assets not depreciated:	13,260,118	2,296,306	(662,301)	14,894,124
Assets depreciated:				
Buildings	11,290,647	325,946	(94,374)	11,522,219
Improvements & infrastructure	51,816,203	2,222,967	-	54,039,169
Machinery & equipment	16,874,528	2,186,270	(707,252)	18,353,545
Right-to-use Machinery & equipment	46,743	41,855	(8,086)	80,512
Right-to-use SBITA	4,440	-	-	4,440
Total capital assets depreciated:	80,032,561	4,777,037	(809,713)	83,999,885
Less accumulated depreciation:				
Buildings	(6,836,647)	(233,331)	94,374	(6,975,604)
Improvements & infrastructure	(30,929,803)	(1,265,588)	-	(32,195,391)
Machinery & equipment	(11,452,870)	(1,071,528)	707,252	(11,817,146)
Right-to-use Machinery & equipment	(16,764)	(15,869)	8,086	(24,547)
Right-to-use SBITA	-	(2,537)	-	(2,537)
Total accumulated depreciation:	(49,236,085)	(2,588,853)	809,713	(51,015,225)
Total capital assets depreciated (net):	30,796,476	2,188,185	-	32,984,661
Governmental activities total capital assets (net):	44,056,594	4,484,491	(662,301)	47,878,784

Note: Totals may not foot due to rounding.

Depreciation expense for the various components of governmental activities is as follows:

Governmental Activities:	
General governmental	\$ 59,879
Public safety	122,590
Transportation	860,662
Natural & economic environment	9,646
Social Services	21,689
Cultural and recreational	571,530
Internal service	942,855
Total depreciation expense - governmental activities	\$ 2,588,852

Note: Totals may not foot due to rounding.

Business-type capital assets activity for the year ended December 31, 2023 was as follows:

Business-type Activities:	Ending Balance 12/31/2022	Marina Adjustments	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital assets not being depreciated:						
Land	\$ 5,394,966		5,394,966	-	-	5,394,966
Construction in progress	273,820		273,820	1,497,129	(856,595)	914,354
Total capital assets not depreciated:	\$ 5,668,786	\$ -	5,668,786	1,497,129	(856,595)	6,309,321
Capital assets being depreciated:						
Right-to-use Land	\$ 187,960		187,960	-	-	187,960
Buildings	\$ 143,380,140		143,380,140	-	-	143,380,140
Improvements	76,750,131		76,750,131	2,408,442	-	79,158,573
Machinery & equipment	5,431,050		5,431,050	42,953	-	5,474,002
Right-to-use Machinery & equipmen	-		-	8,079	-	8,079
Total capital assets depreciated:	\$ 225,749,281	\$ -	225,749,281	2,459,473	-	228,208,754
Less accumulated depreciation:						
Right-to-use Land	\$ -	\$ (25,343)	(25,343)	(25,343)	-	(50,686)
Buildings	\$ (14,547,421)		(14,547,421)	(2,878,249)	-	(17,425,671)
Improvements	(41,641,480)		(41,641,480)	(1,938,427)	-	(43,579,907)
Machinery & equipment	(4,247,333)		(4,247,333)	(203,244)	-	(4,450,577)
Right-to-use Machinery & equipmer	-		-	(1,616)	-	(1,616)
Total accumulated depreciation:	\$ (60,436,235)	\$ (25,343)	(60,461,578)	(5,046,879)	-	(65,508,457)
Total capital assets depreciated (net):	\$ 165,125,087	\$ (25,343)	165,287,703	(2,587,406)	-	162,700,298
Business-type activities						
total capital assets (net):	\$170,981,832.33	\$ (25,343)	170,956,489	(1,090,276)	(856,595)	169,009,618

In the 2022 audit, it was determined that the Right-to-use Asset related to the DNR land lease should have been amortized and was overlooked by the City. Upon SAO advisement, it was determined a prior period adjustment to the 2023 financials.

Depreciation expense for the various components of business activities is as follows:

Business-type Activities:	
Water	\$ 1,056,665
Sewer	3,564,664
Solid waste	3,821
Storm drain	219,631
Marina	202,097
Total depreciation expense - business-type activities	\$ 5,046,879

Note: Totals may not foot due to rounding.

The City has the following active construction projects as of December 31, 2023:

Project	Spent to Date	Remaining Commitment
Fire Station	\$ 145,822	\$ 256,543
City Well #9 Replacement	10,000	45,228
Marina Dredging	161,588	577,750
2020 F Dock Storm Repair	438,774	30,224
Marina Improvements/Upgrades	423,197	86,966
Harbor Heights Improvements	190,869	28,196
Active Transportation Plan	114,942	35,058
NE 7th Ave Improvement	462,547	54,728
Campbell Lake Road Water Main	33,107	24,593
AC Water Mains	183,576	125,784
Harbor East Outlet Repair	48,253	80,102
WJP-Lagoon dock	43,450	32,136
Slip Line replacments	7,945	15,355
Total	\$ 2,264,070	\$ 1,392,664

Note: Totals may not foot due to rounding.

Note 6 – Asset Retirement Obligations

For fiscal year 2023, the City assessed the effects of general inflation in relation to GASB Statement No. 83 Certain Asset Retirement Obligations (ARO). This statement requires that recognition of the obligation occur when the liability is both incurred and reasonably estimable. The City has identified three active water wells and five sunken timber barges that meet this requirement.

It is required that wells that are no longer used, needed, or have reached the end of their serviceable life are required, by Washington state law, to be decommissioned by a licensed drilling contractor. The Department of Ecology would be the state agency with jurisdiction over decommissioning water wells. Other regulations for water well decommissioning include WAC 173-160-381, WAC 173-162, and RCW Chapter 18.104 for the Washington Well Construction Act.

The timber barges were identified and were added for 2022. Their removal is to be completed no later than the expiration of a lease with the Department of Natural Resources in June 2028. An internal engineering estimated cost is \$124,120 which is included in the table below.

This liability is reported based on the best estimate using all available evidence of the current value of outlays expected to be incurred. The most likely amount to decommission these wells was estimated to cost \$10,000 each for a total value of \$30,000. As of December 31, 2023, inflation was assessed at 3.4% based on the CPI data for 2023 and the current value of the ARO has been adjusted to reflect this increase.

The following table represents the City's ARO for 2023:

ARO	Remaining Useful Life	Beginning Balance			Ending Balance	
		1/1/2023	Additions	Reductions	12/31/2023	
Well 8	3 years	\$ 11,555	\$ 393	\$ -	\$ 11,948	
Well 9	2 years	\$ 11,555	\$ 393	\$ -	\$ 11,948	
Well 11 Timber	4 years	\$ 11,555	\$ 393	\$ -	\$ 11,948	
Barges	4.42 years	\$ 132,188	\$ 4,494	\$ -	\$ 136,682	
Total		\$ 166,853	\$ 5,673	\$ -	\$ 172,526	

Note 7 – Pension Plans

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$1,062,840)
Pension assets	5,221,714
Deferred outflows of resources	3,812,971
Deferred inflows of resources	(2,309,738)
Pension expense/expenditures	(397,831)

State Sponsored Pension Plans

Substantially all City 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.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a

survivor benefit is chosen. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Other benefits include duty an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

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

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member’s AFC times the member’s years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are also actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

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

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

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

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

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

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

The City's actual PERS plan contributions were \$280,848.13 to PERS Plan 1 and \$500,395.73 to PERS Plan 2/3 for the year ended December 31, 2023.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006.

PSERS membership includes certain public employees whose jobs contain a high degree of physical risk to their own personal safety. In addition to meeting strict statutory work requirements, membership is further restricted to specific employers including:

- 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 2% of the AFC times the member's years of service. The AFC is based on the member's 60 consecutive highest creditable months of service. 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. 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. Retirement before age 60 is considered an early retirement. PSERS members who retire before turning 60 receive reduced benefits. If retirement is at age 53 or older with at

least 20 years of service, a 3% per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other benefits include a COLA, capped at 3% annually. 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 rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The Plan 2 employer rates include components to address the PERS Plan 1 UAAL.

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

Actual Contribution Rates:	Employer	Employee
January – June		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.63%	6.60%
July – August		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.63%	6.60%
September – December		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.90%	6.73%

The City’s actual plan contributions were \$9,431.01 to PSERS Plan 2 and \$4,811.82 to PERS Plan 1 for the year ended December 31, 2023.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute 0%, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

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

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

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

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

The City’s actual contributions to the plan were \$227,918.91 for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Office of the State Actuary and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$1,563,519.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement

date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

Discount Rate

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

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 (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

Plan	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$1,484,868	\$1,062,840	\$694,509
PERS 2/3	2,543,938	(2,338,995)	(6,350,634)
PSERS 2	31,151	(20,090)	(60,531)
LEOFF 1	(306,416)	(345,567)	(379,517)
LEOFF 2	405,388	(2,448,393)	(4,783,967)

Pension Plan Fiduciary Net Position

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

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

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

Liability (Asset)	
PERS 1	\$1,062,840
PERS 2/3	(2,338,995)
PSERS 2	(20,090)
LEOFF 1	(345,567)
LEOFF 2	(2,448,393)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer’s proportionate share	\$345,567	\$2,448,393
State’s proportionate share of the net pension asset associated with the employer	2,337,407	1,563,519
Total	\$2,682,974	\$4,011,911

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

Plan	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.046183%	0.046560%	0.000377%
PERS 2/3	0.056969%	0.057067%	0.000098%
PSERS 2	0.023386%	0.018946%	-0.004440%
LEOFF 1	0.011364%	0.011643%	0.000279%
LEOFF 2	0.096340%	0.102076%	0.005736%

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

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

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

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

Pension Expense	
PERS 1	(11,512)
PERS 2/3	(330,382)
PSERS 2	6,228
LEOFF 1	(37,368)
LEOFF 2	(24,797)
Total	(397,831)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(119,893)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	124,471	-
Total	\$ 124,471	\$ (119,893)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 476,451	\$ (26,134)
Net difference between projected and actual investment earnings on pension plan investments	-	(881,475)
Changes of assumptions	981,991	(214,035)
Changes in proportion and differences between contributions and proportionate share of contributions	11,427	(74,124)
Contributions subsequent to the measurement date	253,599	-
Total	\$ 1,723,468	\$ (1,195,768)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,286	\$ (5,170)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,407)
Changes of assumptions	8,988	(3,496)
Changes in proportion and differences between contributions and proportionate share of contributions	19,685	(4,556)
Contributions subsequent to the measurement date	4,750	-
Total	\$ 39,710	\$ (18,628)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(22,914)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ (22,914)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,000,099	\$ (20,143)
Net difference between projected and actual investment earnings on pension plan investments	-	(518,075)
Changes of assumptions	625,433	(201,116)
Changes in proportion and differences between contributions and proportionate share of contributions	186,008	(213,201)
Contributions subsequent to the measurement date	113,783	-
Total	\$ 1,925,322	\$ (952,535)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2024	(\$81,570)	(\$444,510)	(\$1,812)	(\$15,711)	(\$201,504)
2025	(102,584)	(526,989)	(2,616)	(19,715)	(285,166)
2026	63,252	716,252	5,481	12,230	452,048
2027	1,010	258,140	2,086	282	162,780
2028	-	261,159	2,136	-	171,534
Thereafter	-	10,050	11,058	-	559,313

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 362 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. In addition, the state, a non-employer contributing entity, contributes 40 percent of the fire insurance premium

tax. Retirement benefits are established in Chapter 41.24 RCW and may be amended only by the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the annual comprehensive financial report (ACFR) of the State of Washington. The State ACFR may be downloaded from the Office of Financial Management (OFM) website at www.ofm.wa.gov.

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Normal retirement is available at the age of 65 with at least ten years of service. The monthly plan benefit formula is \$50 plus \$10 per year of service, for a maximum monthly benefit of \$300. Reduced pensions are available for members starting at the age of 60 with at least ten years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214,000 and funeral and burial expenses of \$2,000. Members receiving disability benefits at the time of death shall be paid \$500.

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the OSA. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member’s fee on their behalf.

The contribution rates for 2022 were as follows:

	Firefighters	EMSD and Reserve Officers
Municipality fee	\$30	\$105
Member fee	30	30

The City’s actual contributions to the plan were \$600 for the year ended December 31, 2023. The City has opted to pay members’ fees on their behalf. Contributions on behalf of members were \$600 for the year ended December 31, 2023.

In accordance with Chapter 41.24 RCW, the state contributes 40% of the fire insurance premium tax to the plan. For fiscal year 2023, the state’s fire insurance premium tax contribution was \$4.1 million. The City received \$0 of this amount.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the OSA based on a measurement date of June 30, 2022, using the following actuarial assumptions:

- Inflation: 2.25%
- Salary increases: N/A
- Investment rate of return: 6.0%

The actuarial assumptions used in the valuation were based on the results of the OSA’s *2021 Report on Financial Condition and Economic Experience Study*, the *2021 Pension Experience Study*, and the *2018 Relief Experience Study*.

Mortality assumptions used for this plan are consistent with assumptions used for Public Employees’ Retirement System.

Discount Rate

The discount rate used to measure the total VFFRPF pension liability was 6%. To determine that rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on OSA’s assumptions the pension plan’s 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 6% on plan investments was applied to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFRPF pension plan investments of 6% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.25% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of the Net Pension Asset

The following presents the City’s proportionate share of the VFFRPF net pension asset calculated using the discount rate of 6%, as well as what the City’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5%) or 1-percentage point higher (7%) than the current rate.

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
VFFRPF	\$175,411	\$68,668	(\$18,808)

Pension Plan Fiduciary Net Position

Detailed information about the VFFRPF plan’s fiduciary net position is available in the separately issued State of Washington ACFR.

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

At June 30, 2023, the City reported an asset of \$68,668 for its proportionate share of the VFFRPF plan’s net pension asset. The City’s proportion of the net pension asset was based on actual contributions to the

plan relative to total contributions of all participating municipalities. At June 30, 2023, the City's proportion was 0.344531%.

For the year ended December 31, 2023, the City recognized pension expense of \$21,121. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

Note 8 – Risk Management

The City of Oak Harbor is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

The City proactively participates in on-going training for staff regarding current practices and risk mitigation procedures in order to effectively limit claims loss exposure. No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2023.

Note 9 – Long-term Debt

The City of Oak Harbor has outstanding debt from general obligation bonds and direct borrowings related to governmental activities totaling \$8,496,360. The City has outstanding debt from general obligation bonds, revenue bonds and loans from direct borrowings related to business-type activities totaling \$716,900, \$25,720,000, and \$82,167,006 respectively totaling \$108,603,906. The total amount outstanding for all debt is \$117,100,266.

Bonds

Unlimited Tax General Obligation Bond (Related to Governmental Activities)

During the 2022 General Election, November 8, 2022, the voters approved the issuance of Unlimited Tax General Obligation (UTGO) bonds to construct new public safety infrastructure and fire apparatus to improve fire response times and to pay for the debt service on those bonds via an excess property tax levy related to governmental activities. The UTGO bonds were issued in 2023 and city started receiving voter approved excess property tax levy receipts that same year. There is no collateral associated with this bond and no significant finance-related default, termination or acceleration clauses.

The UTGO bond currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
2023 OAKUTGO23 New Fire Station	2043	4.32%	\$8,780,000	\$8,385,000

The annual debt service requirements to maturity on the UTGO bond are as follows:

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2024	260,000	377,263	-	-
2025	270,000	364,263		
2026	285,000	350,763		
2027	300,000	336,513		
2028	315,000	321,513		
2029-2033	1,820,000	1,355,563		
2034-2038	2,310,000	867,213		
2039-2043	2,825,000	351,613		
Total	8,385,000	4,324,700	\$0	\$0

Federal Arbitrage occurs when tax-exempt bond proceeds are invested in higher yielding taxable securities, resulting in a profit. Unspent bond proceeds are invested in the LGIP which is currently earning higher rates than the bond arbitrage yield of 3.627648%. The City is accounting for the arbitrage amounts and will remit a tax rebate, if any, after five years following Internal Revenue Service guidelines.

General Obligation Bond (Related to Business Type Activities)

In 2021, the City of Oak Harbor City Council approved the issuance of Limited Tax General Obligation (LTGO) Bonds to refund an earlier bond that was issued for Marina infrastructure improvements related to Business Type Activities. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service is paid from the Marina Fund. There is no collateral associated with this bond and no significant finance-related default, termination or acceleration clauses.

LTGO debt currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
2021 OAKLTGO21 Refunding of 2011 Marina improvements Bond	2025	0.89%	\$1,522,200	\$716,900

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

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	-	-	356,900	6,380
2025	-	-	360,000	3,204
Total	\$ -	\$ -	\$716,900	\$9,584

Revenue Bonds (Related to Business Type Activities)

Revenue bond indebtedness issued to fund proprietary activities is recorded in the proprietary fund. Debt service payments are made from revenues generated by the proprietary fund. There is no collateral associated with this bond. If the principal of any Bond is not paid on time, the City will be obligated to pay interest on that Bond at the same rate provided on the Bond even after maturity until both principal and interest is paid in full. In the event of default, the Bond owners may appoint a trustee and take steps to remedy the situation.

Revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
2016 OAKWA16 Clean Water Facility	2046	3.13% - 4.00%	\$25,720,000	\$25,720,000

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

Year Ending December 31,	Principal	Interest
2024	0	855,191
2025	0	855,191
2026	0	855,191
2027	0	855,191
2028	0	855,191
2029-2033	0	4,275,956
2034-2038	3,585,000	4,227,756
2039-2043	13,170,000	2,753,961
2044-2046	8,965,000	588,900
Total	\$25,720,000	\$16,122,530

Loans

Public Works Trust Fund Loans (Related to Business Type Activities)

The City of Oak Harbor is also liable for balances due to other governments for Public Works Trust Fund (PWTF) loans. Two of these loans were entered into for the replacement of the City's water transmission

line, as required by the Washington State Department of Transportation. They have a combined outstanding balance of \$131,052 and the debt service will be repaid from Water Fund revenue. The third loan was for the replacement of the 42" storm drain outfall. The outstanding balance of \$468,678 will be repaid from the Storm Drain Fund revenues. There is no collateral associated with these loans. There is a clause that requires that the City pay 1% interest per month on payments past due by 31 days.

PWTF loans currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
PW-05-691-042 Water transmission line	2025	0.50%	\$436,642	\$45,962
PW-06-962-031 Water transmission line	2026	0.50%	\$538,900	\$85,089
PW-12-951-048 42" Storm drain outfall	2031	0.25%	\$985,584	\$468,678

The annual debt service requirements to maturity on PWTF debt from direct borrowings and direct placement are as follows:

Year Ending December 31,	Principal	Interest
2024	109,929	1,827
2025	109,929	1,424
2026	86,948	1,021
2027	58,585	732
2028	58,585	586
2029-2031	175,754	879
Total	\$599,730	\$6,468

Department of Ecology State Revolving Fund (SRF) Loans (Related to Business Type Activities)

Department of Ecology loans are payable from revenues generated by the City's Sewer Fund. The loan for the construction of the sewer outfall has an outstanding balance of \$1,912,969, while the remaining loans for the construction of the Clean Water Facility had an outstanding balance of \$79,654,307. There is no collateral associated with these loans, but there is a clause that requires that the City to pay of 1% interest per month on payments past due by 31 days. There are also several other clauses in which the Department of Ecology (DOE) can 1) terminate the loan agreement for insufficient funds, 2) if the payment is 60 days overdue, DOE can demand repayment for the outstanding balance and any personal property acquired with these funds may have to be surrendered, 3) the State can also withhold funds from shared revenues in the amount of the past due amounts, and 4) the City could be liable for any costs to enforce the provisions of the loan.

Total SRF loans currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
WQC-2015 OakHar-00110 Sewer outfall	2036	2.70%	\$2,637,085	\$1,912,969
WQC-2015 OakHar-00021 Clean Water Facility	2037	2.70%	\$8,699,275	\$6,769,686
WQC-2016 OakHar-00240 Clean Water Facility	2038	1.90%	\$16,621,795	\$13,228,767
WQC-2017 OakHar-00081 Clean Water Facility	2038	1.60%	\$46,085,262	\$36,492,578
WQC-2018 OakHar-00112 Clean Water Facility	2038	1.20%	\$29,455,620	\$23,163,276

The annual debt service requirements to maturity on SRF debt from direct borrowings and direct placement are as follows:

Year Ending December 31,	Principal	Interest
2024	4,885,520	1,332,446
2025	4,966,788	1,251,178
2026	5,049,504	1,168,463
2027	5,133,694	1,084,272
2028	5,219,388	998,578
2029-2033	27,437,038	3,652,793
2034-2038	28,875,343	1,278,721
Total	\$81,567,276	\$10,766,450

Washington State LOCAL Loan (Related to Governmental Activities)

The Washington State LOCAL loan is paid from a debt service fund. The loan was utilized to upgrade street lights and lighting fixtures in City Hall, the Police and Fire Departments, the Senior Center, and several parks to energy efficient LED lights. The collateral for this loan takes the form of a lien on the property purchased with these funds. There is also a clause in which the State can withhold funds from shared revenues in the amount of the past due amounts.

The LOCAL loan currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installments
OAK0361-2-1 LED lighting upgrades	2025	2.36%	\$465,837	\$111,360

The annual debt service requirements to maturity on the LOCAL loan debt from direct borrowings and direct placement are as follows:

Year Ending	Principal	Interest
December 31,		
2024	54,322	2,926
2025	57,038	1,499
Total	\$111,360	\$4,425

Lines of Credit

The City has no unused lines of credit.

Note 10 – Leases

In 2023, the financial statements included the adoption of GASB Statement No. 87 – Leases. Under this statement the Lessee recognizes a lease liability and an intangible right-to-use lease assets. Lessor leases will be recognized as a lease receivable and a deferred inflow of resources. In the lease contracts there are no stated interest rates and are not readily determinable. Therefore, the City is utilizing an incremental borrowing rate to discount the lease payments and using the Office of the State Treasurer-LOCAL Program Rates. These rates will be updated as new leases are recognized.

A. Lessee Leases

1. Governmental Activities

On January 1, 2023, the City had five existing copier leases. The City also had an existing Mail Machine lease. All of these leases were initially for 5 year terms with no intention of extending. The City has added three new copier leases for 5 year terms with no intention of extending. The City is utilizing the Office of the State Treasurer-LOCAL Program Rates as of 10/27/2022 to establish our incremental borrowing rates of 3.52%.

Lease Assets by Major Classes of Underlying Asset:					
Governmental Activities:	Ending Balance 12/31/2022	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Assets depreciated:					
Right-to-use Machinery & equipment	46,743	46,743	41,855	(8,086)	80,512
Total capital assets depreciated:	\$ 46,743	46,743	41,855	(8,086)	80,512
Less accumulated depreciation:					
Right-to-use Machinery & equipment	(16,764)	(16,764)	(15,869)	8,086	(24,547)
Total accumulated depreciation:	\$ (16,764)	(16,764)	(15,869)	8,086	(24,547)
Total capital assets depreciated (net):	\$ 29,979	29,979	25,986	-	55,965
Governmental activities total capital assets (net):	\$ 29,979.22	29,979	25,986	-	55,965

Copier Leases descriptions and terms-Governmental Activities:

Copier Leases as of 12/31/23						
Purpose	Maturity Range	Interest Rate	Months remaining	Monthly payment	Payments Remaining	Amount of Installments
PW Copier Lease A #1143 6TB442391 C8070H2 existing	2023	3.52%	0	\$550.00	\$0	\$0
City Hall Utilities Copier Lease B #1144 Y4X930467 B8055H existing	2025	3.52%	22	\$136.53	\$3,004	\$2,142
City Hall Mailroom Copier Lease C #1145 EFQ648546 C8170/H2 existing	2026	3.52%	31	\$176.36	\$5,467	\$5,231
Fire Dept Copier Lease D #1146 EHQ224286 C8145 existing	2026	3.52%	30	\$159.45	\$4,784	\$4,583
Planning Dept Copier Lease F #1147 EQF-646127 C8170H existing	2025	3.52%	21	\$176.36	\$3,704	\$3,595
Senior Center Copier Lease K #1153 EHQ368229 C8155H2 new	2028	3.52%	49	\$158.80	\$7,697	\$7,177
Public Works Copier Lease M #1155 EFQ271993 C8170 new	2028	3.52%	56	\$305.00	\$17,080	\$15,751
Police Dept Copier Lease N #1156 EFQ271931 C8170 new	2028	3.52%	56	\$295.00	\$16,520	\$15,235

Copier Leases Principal and Interest Requirements to Maturity -Governmental Activities:

Year Ending December 31,	Principal	Interest
2024	15,244	1,646
2025	14,175	1,114
2026	10,654	667
2027	8,766	340
2028	4,874	64
Total	\$53,713	\$3,831

Mail Machine Lease description and terms-Governmental Activities:

Mail Machine lease as of 12/31/23

Purpose	Maturity Range	Interest Rate	Payments remaining	Quarterly payment	Payments Remaining	Amount of Installments
City Hall Mail machine I #1148	2024	3.52%	4	\$796.71	\$3,187	\$3,154

Mail Machine Leases Principal and Interest Requirements to Maturity -Governmental Activities:

Year Ending December 31,	Principal	Interest
2024	3,154	70
Total	\$3,154	\$70

2. Business-type Activities

On January 1, 2023, the City had an existing right-to-use lease for DNR-Tidelands at our Marina. This lease was originally a 10 year lease that began in June 2019. The City added one new copier lease to the Clean Water Facility for 5 year terms with no intention of extending. The City is utilizing the Office of the State Treasurer-LOCAL Program Rates as of 10/27/2022 to establish our incremental borrowing rates of 3.68%.

Lease Assets by Major Classes of Underlying Asset:						
Business-type Activities:	Ending Balance 12/31/2022	Marina Adjustments	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Capital assets being depreciated:						
Right-to-use Land	\$ 187,960	\$ -	187,960	-	-	187,960
Right-to-use Machinery & equipment	\$ -	\$ -	-	8,079	-	8,079
Total capital assets depreciated:	\$ 187,960	\$ -	187,960	-	-	196,039
Less accumulated depreciation:						
Right-to-use Land	-	(25,342.87)	(25,343)	(25,343)	-	(50,686)
Right-to-use Machinery & equipment	-	-	-	(1,616)	-	(1,616)
Total accumulated depreciation:	-	-	(25,343)	(25,343)	-	(52,302)
Business-type activities total capital assets (net):	\$ 187,960	\$ -	\$ 162,617	(25,343)	-	143,737

DNR Tidewater Land Lease description and terms-Business Activities:

DNR Tidewater lease as of 12/31/23						
Purpose	Maturity Range	Interest Rate	Years remaining	Yearly payment	Payments Remaining	Amount of Installments
DNR Tidewater lease J #1149	2028	3.68%	5	\$30,300	\$151,501	\$137,942

DNR Tidewater Land Lease Principal and Interest Requirements to Maturity -Business Activities:

Year Ending December 31,	Principal	Interest
2024	25,224	5,076
2025	26,152	4,148
2026	27,115	3,186
2027	28,112	2,188
2028	31,339	1,153
Total	\$137,942	\$15,751

Clean Water Facility Lease description and terms-Business Activities:

Copier Leases as of 12/31/23						
Purpose	Maturity Range	Interest Rate	Months remaining	Monthly payment	Payments Remaining	Amount of Installments
CWF Copier Lease L #1154 EH361677 C8145H2 new	2028	3.52%	49	\$146.62	\$7,106	\$6,626

Clean Water Facility Lease Principal and Interest Requirements to Maturity -Business Activities:

Year Ending December 31,	Principal	Interest
2024	1,551	208
2025	1,607	153
2026	1,664	95
2027	1,724	36
2028	81	0
Total	\$6,626	\$493

B. Lessor Lease

During the 2022 Financial Audit, it was determined the City currently has a Lessor Lease with Island County Emergency Services Communication Center (I-COM). The City is leasing to I-COM a portion of the Public Safety Building for its dispatching services of I-COM911 for law enforcement, fire and medical dispatch services to 10 member agencies located in Island County, Washington and the public they serve. In December of 2020, a new Interlocal Facility Use Agreement was signed effective Jan 1 2021 through Dec 31, 2025. We have established the Lessor lease in 2023 as a prior period correction for the 2022 values.

I-COM Lease description and terms:

Lessor Leases as of 12/31/23

Purpose	Maturity Range	Interest Rate	Months remaining	Monthly payment	Payments Remaining	Amount of Installments
ICOM-Lessor Lease	2028	3.52%	36	\$3,705	\$122,472	\$85,929

I-COM Lease Receivable requirements and Interest Revenue to Maturity:

Year Ending December 31,	Receivable	Interest Revenue
2024	42,108	2,350
2025	43,821	843
Total	\$85,929	\$3,193

I-COM Lease Deferred Inflow to Maturity:

Year Ending December 31,	Deferred Inflow
2024	40,686
2025	40,685
Total	\$81,371

Note 11 – Changes in Long-term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities (inclusive of both portions due within one year and due in more than one year):

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ -	\$ 8,780,000	\$ 395,000	\$ 8,385,000	\$ 260,000
Premium		\$ 558,290	\$ 36,899	\$ 521,391	\$ -
Total bonds payable:	-	9,338,290	431,899	8,906,391	260,000
Debt from direct borrowings and direct payments:					
LOCAL COP	\$ 164,422	\$ -	\$ (53,062)	\$ 111,360	\$ 54,322
Premium	6,965	-	(3,190)	3,775	-
Arbitrage Liability	-	74,019	-	74,019	-
OPEB liability	2,587,701	232,448	(111,489)	2,708,660	125,029
Pension obligation	906,337	-	(148,145)	758,192	-
Lease Liabilities	31,292	41,855	(16,280)	56,867	18,397
SBITA Liabilities	4,440	-	(4,440)	-	-
Compensated absences	1,389,961	-	(65,577)	1,324,384	168,369
Government activity	\$ 5,091,117	\$ 9,686,612	\$ 29,715	\$ 13,943,647	\$ 626,117
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 1,070,600	\$ -	\$ (353,700)	\$ 716,900	\$ 356,900
Revenue bonds	\$ 25,720,000	\$ -	\$ -	\$ 25,720,000	-
Premium	\$ 45,033	\$ -	\$ (1,876)	\$ 43,157	-
Discount	\$ 0	\$ -	\$ -	\$ 0	-
Total bonds payable:	26,835,633	-	(355,576)	26,480,057	356,900
Debt from direct borrowings and direct payments:					
PWTF loans	709,659	-	(109,929)	599,730	109,929
SRF loans	86,372,949	-	(4,805,673)	81,567,276	4,875,520
Asset retirement obligation	166,853	5,673	-	172,526	11,948
Pension obligation	379,567	-	(74,919)	304,649	-
Lease Liabilities	162,271	8,079	(25,782)	144,568	26,775
Compensated absences	366,075	82,009	-	448,084	57,965
Business-type activity	\$ 114,993,007	\$ 95,762	\$ (5,371,879)	\$ 109,716,890	\$ 5,439,037

Note: Totals may not foot due to rounding.

Note 12 – Contingencies and Litigations

The City of Oak Harbor has recorded in its financial statements all material liabilities, including an estimate for situations that have not yet resolved but where, based on available information, management believes it is probable that the City of Oak Harbor will have to make payment. In the opinion of management, the City of Oak Harbor's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The City of Oak Harbor participates in a few federal-assisted and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances described above, City of Oak Harbor management believes that such disallowances, if any, will be immaterial.

Note 13 – Restricted Components of Net Position

The government-wide statement of net position reports \$28,772,956 of restricted components of net position which is restricted by statute or enabling legislation.

Note 14 – Interfund Balances and Transfers

Interfund Balances

Due to other funds and due from other funds results from goods issued, work performed, or services rendered to or for the benefit of another fund when cash is not immediately moved between the funds. Interfund balances at December 31, 2023 is \$43,702.84 in the Sewer Fund.

Interfund Transfers

The primary purpose of interfund transfers is to support the operations of other funds and contributions for capital projects. Interfund transfers at December 31, 2023 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 1,105,000	\$ (248,358)
Nonmajor governmental	782,366	(1,414,009)
Marina	-	-
Water	-	(75,000)
Sewer	-	(75,000)
Solid Waste	-	-
Storm drain	-	(75,000)
Internal Service	-	-
Total	\$ 1,887,366	\$ (1,887,366)

Note 15 – Receivable and Payables Balances

Detail of “Accounts receivable (net),” “Deposits receivable” and “Due from other governments” are as follows:

Receivables:	Governmental Activities	Business-type Activities	Total
Property taxes	\$ 150,526	\$ -	\$ 150,526
Municipal court	578,592	-	578,592
Customer accounts	240	3,006,106	3,006,346
Opioid Settlement	125,563		125,563
Other accounts	274,778	1,167	275,945
Lease receivable	42,108	-	42,108
Deposits	-	7,000	7,000
Other taxes	1,681,710	-	1,681,710
Grants	(10,570)	8,269	(2,301)
Gross receivables	2,842,948	3,022,542	5,865,490
Less: allowance for uncollectible	(511,464)	-	(511,464)
Long Term Receivable- Opioid Settlement	820,462	-	820,462
Long Term Receivable- Opioid Settlement	43,821	-	43,821
Net total receivables	\$ 3,195,767	\$ 3,022,542	\$ 6,218,309

Detail of “Other current liabilities” are as follows:

Payables	Governmental Activities	Business-type Activities	Total
Custodial accounts	96,444	17,220	113,664
Retainage	52,651		52,651
Security deposits	14,292	269,766	284,058
Total payables	\$ 163,387	\$ 286,986	\$ 450,373

Note: Totals may not foot due to rounding.

Note 16 – Defined Benefit Other Postemployment Benefit (OPEB) Plan

Other Post-employment Benefits (OPEB)

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

Aggregate OPEB Amounts	
OPEB liabilities	(\$2,708,660)
OPEB assets	-
Deferred outflows of resources	62,515
Deferred inflows of resources	-
OPEB expense/expenditures	(232,448)

Plan Description

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

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The City's actual expenses were \$67,568.52 for the year ended December 31, 2023.

At December 31, 2023, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
Total	5

Actuarial Assumptions

Utilizing the Office of the State Actuary's (OSA) Alternative Measurement Method (AMM) Online Tool (Tool), the City used the alternative measurement method permitted under GASB 75. The OSA actuarial reports relied upon the *2022 LEOFF 1 OPEB Actuarial Valuation Report*.

The Tool uses the following assumptions:

Methodology	
Actuarial valuation date	6/30/2023
Actuarial measurement date	6/30/2023
Actuarial cost method	Entry age
Amortization method	Recognized immediately
Asset valuation method	N/A
Assumptions	
Discount Rate ⁽¹⁾	
Beginning of measurement year	3.54%
End of measurement year	3.65%
Healthcare trend rates ⁽²⁾	
Medical costs	Approximately 4.5%, varies by year.
Long-term care	4.75%
Medicare Part B premiums	Approximately 5.0%, varies by year.
Mortality rates (assume 100% male population)	
Base mortality table	PUBS.H-2010 (Public Safety) Blended 50%/50% Healthy/Disabled
Age setback	-1 year Healthy / 0 years Disabled
Mortality improvements	MP-2017 Long-term Rates
Projection period	Generational
Medicare participation rate	100%

(1) Source: *Bond Buyer General Obligation 20-Bond Municipal Index*

(2) For additional detail on the healthcare trend rates, please see OSA's 2022 LEOFF 1 OPEB Actuarial Valuation Report

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 4.5%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.5%) or 1-percentage point higher (5.5%) that the current rate.

	Current Healthcare		
	1% Decrease (3.5%)	Cost Trend Rate (4.5%)	1% Increase (5.5%)
Total OPEB liability	(\$2,457,754)	(\$2,708,660)	(\$2,996,031)

The following presents the total OPEB liability of the City calculated using the discount rate of 3.65%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) that the current rate.

	Current Discount		
	1% Decrease (2.65%)	Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	(\$3,015,377)	(\$2,708,660)	(\$2,446,979)

Changes in the Total OPEB Liability

LEOFF 1	
Total OPEB liability at 1/1/2023	\$ 2,587,701
Service costs	-
Interest costs	89,648
Change in assumptions	142,800
Change in benefit terms	-
Estimated benefit payments	(111,489)
Other changes	-
Total OPEB liability at 12/31/2023	\$ 2,708,660

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

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Payments subsequent to the measurement date	62,515	-
Total	\$ 62,515	\$ -

Deferred outflows of resources of \$62,515 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

Note 17 – Pollution Remediation Obligations

GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was issued on November 30, 2006. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Once any one of five specified obligating events occurs, a government entity is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

The City has above-ground fuel tanks at both the Public Works facility and at the city marina. Both fuel tank systems utilize the VeederRoot monitoring system which performs a series of daily tests on the fuel tanks and reports, among other things, any unusual fuel level variances or leakage occurrences in the tanks. The systems have not indicated any leaks or contamination in 2023.

The City owns a municipal landfill site which ceased receiving solid waste materials as of 1980. As required by the Island County Health Department, the City Engineering Department has conducted extensive monitoring of ground water and gas expulsion from 1980 to present. The City previously prepared a landfill closure plan, conducted Phase I during 1993, with completion of successive Phases implemented through 2003. In compliance with GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City of Oak Harbor has determined that there is no remaining landfill closure liability as of December 31, 2011. The City does continue to monitor the site for methane.

There have been no obligating events or issues of pollution remediation during 2023.

Note 18 – Subscription Based Information Technology Arrangements (SBITA)

In 2023, the financial statements included the adoption of GASB Statement No. 96 – SBITAs. Under this statement the city recognizes a SBITA liability and a right-to-use SBITA assets. In the SBITA contract, there are no stated interest rates and are not readily determinable. Therefore, the City is utilizing an incremental borrowing rate to discount the SBITA payments and using the Office of the State Treasurer-LOCAL Program Rates. These rates will be updated as new SBITAs are recognized.

Governmental Activities

On January 1, 2023, the City had one SBITA contract. This SBITA was in its last year and the final payment was due and paid in fiscal year 2023. This SBITA was initially for a three year term with no intention of extending. The City is utilizing the Office of the State Treasurer-LOCAL Program Rates as of 10/27/2022 to establish our incremental borrowing rates of 3.44%.

The total amount of subscription assets and their related accumulated amortization is as follows:

SBITA Asset	Beginning Balance			Ending Balance
Governmental Activities:	1/1/2023	Additions	Accum Deprec	12/31/2023
Docu-Sign SBITA	4,440.24	0.00	-2,537.28	1,902.96
	0.00			0.00
Internal Service 505 total	4,440.24	0.00	-2,537.28	1,902.96

There were no variable payments not previously included in the measurement of the subscription liability.

There were no other payments, such as termination penalties, not previously included in the measurement of the subscription liability.

There is no current liability due in 2024. However, there will be amortization of \$1,902.96 in 2024 for the remainder of this contract.

SBITA liability	Beginning Balance			Ending Balance	Due Within
Governmental Activities:	1/1/2023	Additions	Reductions	12/31/2023	One Year
Docu-Sign	4,440.24		-4,440.24	0.00	0.00
				0.00	
Internal Service 505 total	4,440.24	0.00	-4,440.24	0.00	0.00

Note 19 – Other Disclosures

Accounting and Reporting Changes

Effective in the annual financial statements for 2023, the City implemented the following statements of the Government Accounting Standards Board (GASB):

GASB 96, Subscription-Based Information Technology Arrangements. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription based

information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs.

Subsequent Events

To our knowledge, there are no recognized subsequent events that affect the 2023 financial statements.

**Required Supplementary Information
Pensions**

Schedule of Proportionate Share

Year	Employer's proportion of the net pension asset/liability	Employer's proportionate share of the net pension asset (liability)	State's proportionate share of the net pension asset (liability) associated with the employer	Total	Covered payroll	Employer's proportionate share of the net pension asset (liability) as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension asset (liability)
Schedule of Proportionate Share of Net Pension Liability - PERS 1 - As of June 30,							
2023	0.046560%	(\$1,062,840)	NA	(\$1,062,840)	\$8,134,098	13.07%	80.16%
2022	0.046183%	(\$1,285,904)	NA	(\$1,285,904)	\$7,354,368	17.48%	76.56%
2021	0.047861%	(\$584,495)	NA	(\$584,495)	\$7,332,424	7.97%	88.74%
2020	0.052245%	(\$1,844,531)	NA	(\$1,844,531)	\$7,616,594	24.22%	68.64%
2019	0.052590%	(\$2,022,272)	NA	(\$2,022,272)	\$7,226,923	27.98%	67.12%
2018	0.053939%	(\$2,408,934)	NA	(\$2,408,934)	\$7,042,527	34.21%	63.22%
2017	0.054960%	(\$2,607,895)	NA	(\$2,607,895)	\$6,817,078	38.26%	61.24%
2016	0.057656%	(\$3,096,399)	NA	(\$3,096,399)	\$6,767,199	45.76%	57.03%
2015	0.054069%	(\$2,828,312)	NA	(\$2,828,312)	\$5,824,538	48.56%	59.10%
Schedule of Proportionate Share of Net Pension Liability - PERS 2/3 - As of June 30,							
2023	0.057067%	\$2,338,995	NA	\$2,338,995	\$7,889,036	-29.65%	107.02%
2022	0.056969%	\$2,112,855	NA	\$2,112,855	\$7,106,783	-29.73%	106.73%
2021	0.058195%	\$5,797,158	NA	\$5,797,158	\$6,960,384	-83.29%	120.29%
2020	0.060965%	(\$779,708)	NA	(\$779,708)	\$7,108,600	10.97%	97.22%
2019	0.062710%	(\$609,127)	NA	(\$609,127)	\$6,815,914	8.94%	97.77%
2018	0.063571%	(\$1,085,418)	NA	(\$1,085,418)	\$6,606,037	16.43%	95.77%
2017	0.064857%	(\$2,253,471)	NA	(\$2,253,471)	\$6,363,072	35.41%	90.97%
2016	0.066965%	(\$3,371,635)	NA	(\$3,371,635)	\$6,312,419	53.41%	85.82%
2015	0.058989%	(\$2,107,711)	NA	(\$2,107,711)	\$5,233,775	40.27%	89.20%
Schedule of Proportionate Share of Net Pension Liability - PSERS 2 - As of June 30,							
2023	0.018946%	\$20,090	NA	\$20,090	\$144,962	13.86%	107.90%
2022	0.023386%	\$16,721	NA	\$16,721	\$157,777	10.60%	105.96%
2021	0.052799%	\$121,300	NA	\$121,300	\$357,915	33.89%	123.67%
2020	0.052330%	\$7,201	NA	\$7,201	\$321,174	2.24%	101.68%
2019	0.066631%	\$8,665	NA	\$8,665	\$307,172	2.82%	101.85%
2018	0.086340%	(\$1,070)	NA	(\$1,070)	\$338,707	0.32%	99.79%
2017	0.102306%	(\$20,045)	NA	(\$20,045)	\$362,627	5.53%	96.26%
2016	0.096576%	(\$41,043)	NA	(\$41,043)	\$313,078	13.11%	90.41%
2015	0.099662%	(\$18,190)	NA	(\$18,190)	\$291,813	6.23%	95.08%
Schedule of Proportionate Share of Net Pension Liability - LEOFF 1 - As of June 30,							
2023	0.011643%	\$345,567	\$2,337,407	\$2,682,974	\$0	NA	175.99%
2022	0.011364%	\$325,989	\$2,204,983	\$2,530,972	\$0	NA	169.62%
2021	0.011060%	\$378,867	\$2,562,648	\$2,941,515	\$0	NA	187.45%
2020	0.010793%	\$203,827	\$1,378,679	\$1,582,506	\$0	NA	146.88%
2019	0.010562%	\$208,770	\$1,412,113	\$1,620,883	\$0	NA	148.78%
2018	0.010376%	\$188,376	\$1,274,174	\$1,462,550	\$0	NA	144.42%
2017	0.010269%	\$155,803	\$1,053,850	\$1,209,653	\$0	NA	135.96%
2016	0.010085%	\$103,904	\$702,806	\$806,710	\$0	NA	123.74%
2015	0.010003%	\$120,558	\$815,453	\$936,011	\$0	NA	127.36%
Schedule of Proportionate Share of Net Pension Liability - LEOFF 2 - As of June 30,							
2023	0.102076%	\$2,448,393	\$1,563,519	\$4,011,911	\$4,500,023	54.41%	113.17%
2022	0.096340%	\$2,618,230	\$1,696,033	\$4,314,263	\$3,894,311	67.23%	116.09%
2021	0.101688%	\$5,906,460	\$3,810,311	\$9,716,771	\$3,936,115	150.06%	142.00%
2020	0.098133%	\$2,001,770	\$1,279,980	\$3,281,750	\$3,724,361	53.75%	115.83%
2019	0.100590%	\$2,330,361	\$1,526,075	\$3,856,436	\$3,532,560	65.97%	119.43%
2018	0.098497%	\$1,999,704	\$1,294,770	\$3,294,474	\$3,258,625	61.37%	118.50%
2017	0.099541%	\$1,381,307	\$896,028	\$2,277,335	\$3,113,818	44.36%	113.36%
2016	0.108453%	\$630,795	\$411,233	\$1,042,028	\$3,285,501	19.20%	106.04%
2015	0.095575%	\$982,320	\$649,516	\$1,631,836	\$2,773,970	35.41%	111.67%
Schedule of Proportionate Share of Net Pension Asset - VFFRPF - As of June 30,							
2023	0.344531%	\$68,668	NA	\$68,668	\$0	NA	92.25%
2022	0.315557%	\$89,189	NA	\$89,189	\$0	NA	88.65%
2021	0.231339%	\$50,906	NA	\$50,906	\$0	NA	108.94%
2020	0.231660%	\$81,637	NA	\$81,637	\$0	NA	115.32%
2019	0.196404%	\$133,541	NA	\$133,541	\$0	NA	135.30%
2018	0.190337%	\$100,582	NA	\$100,582	\$0	NA	127.46%
2017	0.154256%	\$57,229	NA	\$57,229	\$0	NA	119.25%
2016	0.154359%	\$88,310	NA	\$88,310	\$0	NA	108.97%
2015	0.370000%	\$71,915	NA	\$71,915	\$0	NA	110.22%

Schedule of Employer Contributions

Year	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Schedule of Employer Contributions - PERS 1 - As of December 31,					
2023	\$280,848	\$280,848	\$0	\$8,110,694	3.46%
2022	\$291,748	\$291,748	\$0	\$7,605,050	3.84%
2021	\$315,487	\$315,487	\$0	\$7,232,280	4.36%
2020	\$371,897	\$371,897	\$0	\$7,542,030	4.93%
2019	\$376,956	\$376,956	\$0	\$7,456,249	5.06%
2018	\$366,725	\$366,725	\$0	\$7,093,319	5.17%
2017	\$344,676	\$344,676	\$0	\$6,902,190	4.99%
2016	\$332,568	\$332,568	\$0	\$6,884,216	4.83%
2015	\$293,354	\$293,354	\$0	\$6,143,382	4.78%
Schedule of Employer Contributions - PERS 2/3 - As of December 31,					
2023	\$500,396	\$500,396	\$0	\$7,868,017	6.36%
2022	\$469,256	\$469,256	\$0	\$7,375,757	6.36%
2021	\$494,574	\$494,574	\$0	\$6,915,184	7.15%
2020	\$558,669	\$558,669	\$0	\$7,053,893	7.92%
2019	\$545,891	\$545,891	\$0	\$7,072,209	7.72%
2018	\$498,162	\$498,162	\$0	\$6,644,660	7.50%
2017	\$444,217	\$444,217	\$0	\$6,474,592	6.86%
2016	\$399,130	\$399,130	\$0	\$6,440,650	6.20%
2015	\$328,398	\$328,398	\$0	\$5,831,914	5.63%
Schedule of Employer Contributions - PSERS 2 - As of December 31,					
2023	\$9,431	\$9,431	\$0	\$141,957	6.64%
2022	\$8,910	\$8,910	\$0	\$136,377	6.53%
2021	\$17,778	\$17,778	\$0	\$254,938	6.97%
2020	\$25,880	\$25,880	\$0	\$359,440	7.20%
2019	\$19,826	\$19,826	\$0	\$277,633	7.14%
2018	\$23,772	\$23,772	\$0	\$346,950	6.85%
2017	\$22,233	\$22,233	\$0	\$333,659	6.66%
2016	\$23,234	\$23,234	\$0	\$352,978	6.58%
2015	\$20,172	\$20,172	\$0	\$311,468	6.48%
Schedule of Employer Contributions - LEOFF 1 - As of December 31,					
2023	\$0	\$0	\$0	\$0	NA
2022	\$0	\$0	\$0	\$0	NA
2021	\$0	\$0	\$0	\$0	NA
2020	\$0	\$0	\$0	\$0	NA
2019	\$0	\$0	\$0	\$0	NA
2018	\$0	\$0	\$0	\$0	NA
2017	\$0	\$0	\$0	\$0	NA
2016	\$0	\$0	\$0	\$0	NA
2015	\$0	\$0	\$0	\$0	NA
Schedule of Employer Contributions - LEOFF 2 - As of December 31,					
2023	\$227,919	\$227,919	\$0	\$4,451,516	5.12%
2022	\$209,057	\$209,057	\$0	\$4,083,158	5.12%
2021	\$200,173	\$200,173	\$0	\$3,897,754	5.14%
2020	\$199,970	\$199,970	\$0	\$3,882,902	5.15%
2019	\$188,263	\$188,263	\$0	\$3,620,215	5.20%
2018	\$178,425	\$178,425	\$0	\$3,398,571	5.25%
2017	\$162,661	\$162,661	\$0	\$3,157,762	5.15%
2016	\$154,848	\$154,848	\$0	\$3,066,293	5.05%
2015	\$162,389	\$162,389	\$0	\$3,215,624	5.05%
Schedule of Employer Contributions - VFFRPF - As of December 31,					
2023	\$600	\$600	\$0	\$0	NA
2022	\$600	\$600	\$0	\$0	NA
2021	\$450	\$450	\$0	\$0	NA
2020	\$450	\$450	\$0	\$0	NA
2019	\$390	\$390	\$0	\$0	NA
2018	\$390	\$390	\$0	\$0	NA
2017	\$330	\$330	\$0	\$0	NA
2016	\$390	\$390	\$0	\$0	NA
2015	\$390	\$390	\$0	\$0	NA

Please see Note 7 – Pension Plans in the accompanying Notes to the Financial Statements.

OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios

Schedule of Changes in Total OPEB Liability and Related Ratios						
LEOFF 1						
For the year ended December 31,						
	2023	2022	2021	2020	2019	2018
Total OPEB liability-beginning	\$2,587,701	\$3,035,616	\$2,888,050	\$2,466,542	\$2,637,199	\$2,723,278
Service costs	-	-	-	-	-	-
Interest costs	89,648	64,380	62,760	84,655	100,266	96,002
Change in assumptions	142,800	(401,537)	181,784	433,367	(177,317)	(98,022)
Change in benefit terms	-	-	-	-	-	-
Estimated benefit payments	(111,489)	(110,758)	(96,978)	(96,514)	(93,606)	(84,059)
Other changes	-	-	-	-	-	-
Total OPEB liability-ending	\$2,708,660	\$2,587,701	\$3,035,616	\$2,888,050	\$2,466,542	\$2,637,199
Covered-employee payroll	-	-	-	-	-	-
Total OPEB liability as a % of covered payroll	NA	NA	NA	NA	NA	NA

Please see Note 16 – Defined Benefit Other Postemployment Benefit (OPEB) Plan in the accompanying Notes to the Financial Statements.

ABOUT THE STATE AUDITOR'S OFFICE

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

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