



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Fircrest

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

Published January 18, 2024

Report No. 1033947



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

January 18, 2024

Mayor and City Council
City of Fircrest
Fircrest, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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

City of Fircrest January 1, 2022 through December 31, 2022

Mayor and City Council
City of Fircrest
Fircrest, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Fircrest, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 4, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

January 4, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Fircrest January 1, 2022 through December 31, 2022

Mayor and City Council
City of Fircrest
Fircrest, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Fircrest, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

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

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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

Pat McCarthy, State Auditor

Olympia, WA

January 4, 2024

FINANCIAL SECTION

City of Fircrest January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

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

		Total for All Funds (Memo Only)	001 General Fund	105 Police Investigation Fund	150 Cumulative Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	16,029,667	5,037,689	12,410	980,763
388 / 588	Net Adjustments	4,378	4,378	-	-
Revenues					
310	Taxes	4,745,795	3,976,563	-	-
320	Licenses and Permits	486,617	486,617	-	-
330	Intergovernmental Revenues	1,538,019	938,736	-	-
340	Charges for Goods and Services	5,338,854	672,070	-	-
350	Fines and Penalties	181,991	181,991	-	-
360	Miscellaneous Revenues	2,110,222	361,663	291	-
Total Revenues:		14,401,498	6,617,640	291	-
Expenditures					
510	General Government	1,408,426	1,408,426	-	-
520	Public Safety	2,664,057	2,664,057	-	-
530	Utilities	3,979,839	-	-	-
540	Transportation	471,303	446,098	-	-
550	Natural/Economic Environment	97,534	97,312	-	-
560	Social Services	2,123	2,123	-	-
570	Culture and Recreation	1,043,351	1,043,351	-	-
Total Expenditures:		9,666,633	5,661,367	-	-
Excess (Deficiency) Revenues over Expenditures:		4,734,865	956,273	291	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	708,233	234,470	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	802,358	29,837	-	762,846
Total Other Increases in Fund Resources:		1,510,591	264,307	-	762,846
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,279,016	152,524	-	-
591-593, 599	Debt Service	821,083	16,930	-	-
597	Transfers-Out	708,233	93,000	-	530,763
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	787,700	12,950	-	-
Total Other Decreases in Fund Resources:		4,596,032	275,404	-	530,763
Increase (Decrease) in Cash and Investments:		1,649,424	945,176	291	232,083
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,085,252	800,393	12,701	-
50841	Committed	1,212,846	-	-	1,212,846
50851	Assigned	7,269,049	1,070,521	-	-
50891	Unassigned	4,116,328	4,116,328	-	-
Total Ending Cash and Investments		17,683,475	5,987,242	12,701	1,212,846

The accompanying notes are an integral part of this statement.

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

		201 Park Bond Debt Service Fund	301 Park Bond Capital Fund	310 Reet	415 Storm Drain
Beginning Cash and Investments					
308	Beginning Cash and Investments	120,060	2,039,673	2,169,058	957,709
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	431,800	-	337,432	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	519,977
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	156	1,482,321	38,037	15,838
Total Revenues:		431,956	1,482,321	375,469	535,815
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	428,302
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	428,302
Excess (Deficiency) Revenues over Expenditures:		431,956	1,482,321	375,469	107,513
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,072,007	-	14,620
591-593, 599	Debt Service	416,200	11,500	-	423
597	Transfers-Out	-	-	84,470	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	762,846	-	-
Total Other Decreases in Fund Resources:		416,200	1,846,353	84,470	15,043
Increase (Decrease) in Cash and Investments:		15,756	(364,032)	290,999	92,470
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	135,816	1,675,641	2,460,057	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,050,181
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		135,816	1,675,641	2,460,057	1,050,181

The accompanying notes are an integral part of this statement.

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

		425 Water Fund (department)	430 Sewer Fund (department)	501 Equipment Rental Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	584,178	2,469,724	1,658,403
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	599,283	-	-
340	Charges for Goods and Services	1,104,465	2,793,168	249,174
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	125,097	54,073	32,746
Total Revenues:		1,828,845	2,847,241	281,920
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,092,223	2,459,314	-
540	Transportation	-	-	25,205
550	Natural/Economic Environment	222	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,092,445	2,459,314	25,205
Excess (Deficiency) Revenues over Expenditures:		736,400	387,927	256,715
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	104,513	369,250	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	9,675	-	-
Total Other Increases in Fund Resources:		114,188	369,250	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	859,138	174,463	6,264
591-593, 599	Debt Service	61,799	314,231	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	11,904	-	-
Total Other Decreases in Fund Resources:		932,841	488,694	6,264
Increase (Decrease) in Cash and Investments:		(82,253)	268,483	250,451
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	644	-	-
50841	Committed	-	-	-
50851	Assigned	501,283	2,738,208	1,908,856
50891	Unassigned	-	-	-
Total Ending Cash and Investments		501,927	2,738,208	1,908,856

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	1,591	1,591
388 & 588	Net Adjustments	-	-
310-390	Additions	647,720	647,720
510-590	Deductions	645,179	645,179
	Net Increase (Decrease) in Cash and Investments:	2,541	2,541
508	Ending Cash and Investments	4,130	4,130

The accompanying notes are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

The City of Fircrest was incorporated in 1925 and operates under the laws of the state of Washington applicable to a Non-Charter Code 2 City with a Council/City Manager form of government. The City of Fircrest is a general-purpose local government and provides public safety, municipal court, fire prevention, street improvement, parks and recreation and general administration. In addition, the City of Fircrest owns and operates water, sewer, and storm utilities.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid. In accordance with state law the City of Fircrest also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3 – Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1,940 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 7 – Long-term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

The General Fund and the Water Fund had Restricted ending balances of \$800,393 and \$644, respectively, for ARPA funds.

The Police Investigation Fund balance as of 12/31/2022 was \$12,701. Under State law, all monies received from the result of seizures, drug raids, etc. are to be spent for police purposes.

The Cumulative Reserve Fund, created by Ordinance No. 956, consists of monies from the General Fund. These monies have been reserved for capital outlay, operation and maintenance for municipal purposes. Monies in this fund may be expended upon passage of ordinance by Council. In November 2022, the previous balances held for Street, Water and Sewer funds were moved back to their respective funds through Ordinance No. 1696. The General Fund balance as of 12/31/2022 was \$1,212,846.

The Park Bond Debt Service Fund was created by Ordinance No. 1646 to account for the principal and interest payments related to the park bond debt. The balance as of 12/31/2022 was \$135,816.

The Park Bond Capital Fund was created by Ordinance No. 1647 and consists of revenue received from donations and the sale of general obligation bonds and is committed for Park Bond capital projects. The fund accounts for all revenues and expenditures associated with Park Bond Capital projects, the balance as of 12/31/2022 was \$1,675,641.

The Real Estate Excise Tax (REET) Fund balance as of 12/31/2022 was \$2,460,057. Under State law, the City of Fircrest can spend its REET revenue only on capital projects specified in the capital facilities plan element of its comprehensive plan. Such capital projects are defined in FMC 3.36.040(d) and FMC 3.40.020.

Note 2 – Budget Compliance

The City of Fircrest adopts annual appropriated budgets for 14 funds. For reporting purposes, the Street Fund has been included in the General Fund, and the Storm, Water and Sewer Capital Funds have been included in their respective Funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The final appropriated and actual expenditures for the legally adopted budgets, excluding ending fund balances, were as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$8,066,841	\$6,968,795	\$1,098,046
Police Investigation Fund	\$12,410	\$0	\$12,410
Cumulative Reserve Fund	\$530,763	\$530,763	\$0
Park Bond Debt Service Fund	\$416,200	\$416,200	\$0
Park Bond Capital Fund	\$3,464,288	\$1,846,353	\$1,617,935
REET Fund	\$100,000	\$84,470	\$15,530
Storm Drain Fund	\$997,930	\$525,243	\$472,687
Water Fund	\$2,477,349	\$2,121,540	\$355,809
Sewer Fund	\$3,611,927	\$3,178,006	\$433,921
Equipment Rental Fund	\$435,297	\$149,277	\$286,020

Almost half of the variance in General Fund is due to Capital projects that were not performed. The remainder is primarily due to Salaries & Wages/Benefits for departments that were understaffed during the year, as well as professional service costs for projects that were delayed or not performed in 2022.

The variances in the Park Bond Capital, Storm, Water and Sewer Funds are due to capital projects that were delayed or not performed in 2022.

The variance in the Equipment Rental Fund is due to replacement vehicles ordered but not received in 2022 due to supply chain delays.

Budgeted amounts are authorized to be transferred between departments within any fund, or object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Fircrest's legislative body. In 2022, there were three budget amendments approved by Council.

Note 3 – Deposits and Investments

Investments are reported at fair value. On December 31, 2022, deposits and investments by type were as follows:

Type of deposit or investment	City of Fircrest's own deposits and investments	Deposits and investments held by the City of Fircrest as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$807,743	\$4,130	\$811,873
Local Government Investment Pool	\$16,875,731	\$0	\$16,875,731
Totals	\$17,683,474	\$4,130	\$17,687,604

It is the City of Fircrest's policy to invest all temporary cash surpluses. The interest on these investments is allocated proportionately to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

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

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

Other Disclosures

Compensating Balance: The City of Fircrest has agreed to keep a \$500,000 average ledger balance with Umpqua Bank (Columbia Bank as of 12/31/2022) to offset banking fees through consolidated account analysis.

Note 4 – Interfund Loans

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
Park Bond Capital Fund	Cumulative Reserve Fund	\$2,300,000	\$0	\$762,846	\$1,537,154
Totals		\$2,300,000	\$0	\$762,846	\$1,537,154

Note 5 – Joint Ventures, Component Unit(s), and Related Parties

The Fircrest Parks and Recreation Foundation (FPRF) was formed in 2020 as a Nonprofit Organization. The FPRF established an endowment fund through partnership with the Greater Tacoma Community Foundation (GTCF). The FPRF provides funds for improvement and activities in Fircrest parks, with the intention of enhancing the quality of life for the residents of the City of Fircrest. The FPRF is governed by a seven-member board composed of volunteers who reside within the City of Fircrest.

The FPRF is responsible for fundraising and may solicit ideas from the Parks and Recreation Director, City employees and/or community members to focus or prioritize fundraising efforts. The City of Fircrest is the sole recipient of funds raised by the FPRF, and these funds are issued in the form of private grants for purposes/projects previously agreed upon by the FPRF and Parks and Recreation Director.

In 2022 the FPRF remitted \$7,300 to the City of Fircrest. As of year-end 2021, funds raised on behalf of the City totaled \$261,475. As of the filing of this report, the year-end 2022 financial reports were not available.

The Annual Reports and/or financial statements for FPRF can be viewed at:
<https://www.fircrestforever.com/endowment>.

Note 6 – Leases (Lessees)

During the year ended 12/31/2022, the City of Fircrest adopted guidance for the presentation and disclosure of leases, as required by BARS. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The City of Fircrest's leases include:

- Five copiers from Canon Financial Services for \$724 per month under 5-year lease agreements that can be cancelled with 30 days' notice.
- One postage machine from Pacific Office Automation for \$136 per month under a 5-year lease agreement that can be cancelled with 30 days' notice.
- Fifty-four desk phones from Zoom Video Communications for \$332 per month under a 3-year lease agreement that can be cancelled with 30 days' notice at the end of the lease term.
- A land lease from the Fircrest Golf Club for the City's Water Tank and System under a lease agreement which began May 1, 2013, and will end April 30, 2063. The lease includes a pre-determined increase of 1.5% each May. The monthly payment as of 12/31/2022 was \$1,347.
- Nine body cameras and tasers from Axon Enterprise for \$4,731 per year under a 5-year lease agreement with an automatic 5-year renewal that can be canceled for cause with a 30 day written notice to either party, or if sufficient funds are not appropriated or otherwise legally unavailable to pay the fees.

The total amount paid for leases in 2022 was \$34,279. As of December 31, 2022, future lease payments are as follows:

Year Ended December 31	Total
2023	\$28,584
2024	\$27,215
2025	\$21,545
2026	\$21,797
2027	\$22,053
2028-2032	\$109,513
2033-2037	\$97,589
2038-2042	\$105,131
2043-2047	\$113,256
2048-2052	\$122,009
2053-2057	\$131,439
2058-2062	\$141,597
2063-2067	\$9,771
Totals	\$951,499

Note 7 – Long-Term Debt

The accompanying Schedule of Liabilities provides more detail of the outstanding debt and liabilities of the City of Fircrest and summarizes the City of Fircrest's debt transactions for the year ended December 31, 2022.

The debt service requirements for general obligation bonds, and other debt are as follows:

Year	Principal	Interest	Total
2023	\$381,515	\$360,065	\$741,581
2024	\$399,236	\$353,468	\$752,704
2025	\$427,034	\$346,344	\$773,378
2026	\$529,912	\$338,390	\$868,301
2027	\$632,871	\$324,804	\$957,675
2028 - 2032	\$3,521,175	\$1,361,032	\$4,882,207
2033 - 2037	\$3,725,078	\$770,077	\$4,495,155
2038 - 2042	\$1,665,000	\$101,000	\$1,766,000
Totals	\$11,281,820	\$3,955,181	\$15,237,001

Note 8 – Other Postemployment Benefits (OPEB)

The City of Fircrest provides other post-employment benefits (OPEB) as listed on the Schedule of Liabilities for one retired employee that belongs to the LEOFF 1 defined benefit plan. These benefits include medical, dental, vision and long-term care. These benefits are administered through AWC Trust, Unum Long-Term Care and the LEOFF 1 Board. The total amount of benefits paid in 2022 was \$9,472.

The City of Fircrest's OPEB liability as of 12/31/2022 was \$452,354. This was calculated using the State Actuary's Alternative Measurement Method (AMM) online tool, which can be found at: <https://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

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

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

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

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

On June 30, 2022 (*the measurement date of the plans*), the City of Fircrest’s proportionate share of the collective net pension liabilities (assets), was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1/UAAL	\$74,674	.012184 %	\$339,247
PERS 2/3	\$127,600	.015883 %	(\$589,066)
LEOFF 1	\$0	.002055 %	(\$58,950)
LEOFF 2	\$47,157	.022778 %	(\$619,037)

Only the net pension liabilities are reported on Schedule 09.

LEOFF Plan 1

The City of Fircrest also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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

Note 10 – Property Tax

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

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

The City of Fircrest's regular levy for the year 2022 was \$1.2962 per \$1,000 on an assessed valuation of \$1,256,783,009 for a total regular levy of \$1,628,993.

In 2022, the City of Fircrest levied an additional amount of \$0.4415 per \$1,000 for Emergency Medical Service (EMS) on an assessed valuation of \$1,256,783,009 for a total additional levy of \$554,840.

In 2022, the City of Fircrest levied an additional excess levy of \$0.3455 per \$1,000 for a voter approved park bond on an assessed valuation of \$1,241,539,309 for a total additional levy of \$429,000.

Note 11 – Risk Management

A. Property and Liability Risk

City of Fircrest is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2022, membership includes 195 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$50,000,000 with a self-insured retention (SIR) of \$500,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$500,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$500,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$7,110,058, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$500,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$500,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2022, were \$2,747,183.56.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

B. Health Insurance

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

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

As of December 31, 2022, 262 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

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

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

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

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

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

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

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

C. Unemployment

The City of Fircrest is a reimbursable employer through the Washington State Employment Security Department (ESD) Unemployment Insurance program. The City of Fircrest does not pay unemployment premiums to ESD. The claims process is handled by ESD, which includes verifying employment information, determining benefit payments, and submitting payments to the individual. ESD then invoices the City of Fircrest for the prorated amount of benefits paid based on the time the individual worked for the City of Fircrest. The City of Fircrest has sufficient resources in fund balances to handle any future claims. The amount paid in 2022 was \$1,242.

Note 12 – Other Disclosures

- A. The City's financial statements include all material liabilities. City management believes there are no material contingent liabilities to record.
- B. The City of Fircrest has one pending lawsuit filed against it.
 - 1. Jalaiya Frederick vs. City of Fircrest, dba Fircrest Police Department. This case was filed in Pierce County Superior Court 9/20/2022 and the cause number is 22-2-08910-1. This case is currently still in the discovery phase as of filing the 2022 financial statements (May 2023).
- C. The City of Fircrest had active construction projects as of December 31, 2022. At year-end the City's commitments with contractors were as follows:

Project/Contractor	Spent to Date	Remaining Commitment	Funding Source
Community Center/Kassel	\$8,265,939	\$57,519	Park Bond Proceeds/Donations
Community Center/Parametrix	\$132,282	\$7,596	Park Bond Proceeds/Donations
Stormwater Pretreatment Outfall/Pape & Sons Construction	\$0	\$411,397	Dept. of Ecology and PC Flood District Zone Control grants
Fircrest Park Field Lights & Turf Improvement/Robert W. Droll, PS	\$0	\$343,434	RCO Grant/Park Bond Proceeds/Donations
Totals	\$8,398,221	\$819,946	

The City of Fircrest will not need to raise any funds for these committed balances.

- D. The City of Fircrest experienced one subsequent event as of the filing of these financial statements. In March of 2023, our current bank services provider Columbia Bank merged with Umpqua Bank. The existing pricing/fee structure is being honored by Umpqua Bank until it expires on 6/30/2023. The

banking account and routing numbers remain unchanged. The City was advised that it may continue using its existing check stock and deposit slips until further notice.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.22	Pool/Recreation Center Bond Issued 2019	12/31/2039	8,295,000	-	100,000	8,195,000
Total General Obligation Debt/Liabilities:			8,295,000	-	100,000	8,195,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - General Fund		123,512	-	3,698	119,814
259.12	Compensated Absences - Proprietary Funds		39,705	2,867	-	42,572
264.30	Pension Liability		150,273	188,974	-	339,247
263.82	Water Supply Improvement Loan Issued 2003	12/31/2022	44,218	-	44,218	-
263.82	PWTF Sewer Loan Issued 2011	6/1/2031	1,705,840	-	170,584	1,535,256
264.40	Other Post-Employment Benefits (OPEB)		441,313	11,041	-	452,354
263.82	DOE Sewer Loan Issued 2011	3/31/2033	1,644,850	-	93,286	1,551,564
263.57	Copier Lease - Police	6/13/2024	4,950	-	1,916	3,034
263.57	Copier Lease - (CH, Ct, PW, P/R)	12/1/2022	6,207	564	6,771	-
263.57	Postage Machine Lease	6/25/2024	4,076	82	1,714	2,444
263.57	Desk phone Lease	3/31/2024	-	11,039	3,067	7,972
263.57	Land Lease - Golf Course Tank	4/30/1963	911,552	-	16,080	895,472
263.57	Body Cameras and Tasers Lease - Police	12/31/2031	-	47,307	4,731	42,576
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,076,496	261,874	346,065	4,992,305
Total Liabilities:			13,371,496	261,874	446,065	13,187,305

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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