



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of La Center

For the period January 1, 2020 through December 31, 2021

Published November 28, 2022

Report No. 1031492



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

November 28, 2022

Mayor and City Council
City of La Center
La Center, Washington

Report on Financial Statements

Please find attached our report on the City of La Center'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 La Center January 1, 2020 through December 31, 2021

Mayor and City Council
City of La Center
La Center, 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 La Center, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 21, 2022.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

November 21, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of La Center January 1, 2020 through December 31, 2021

Mayor and City Council
City of La Center
La Center, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of La Center, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

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 La Center, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, 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 La Center, as of December 31, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

As discussed in Note 10 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 10. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

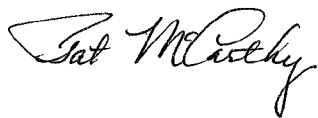
Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 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

November 21, 2022

FINANCIAL SECTION

City of La Center January 1, 2020 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021

Fund Resources and Uses Arising from Cash Transactions – 2020

Notes to Financial Statements – 2021 and 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

Schedule of Liabilities – 2020

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

		Total for All Funds (Memo Only)	001 General	300 Impact	310 Capital Project
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,642,324	4,084,881	2,906,065	4,631,869
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	3,430,948	2,785,944	-	645,004
320	Licenses and Permits	472,973	472,973	-	-
330	Intergovernmental Revenues	2,571,263	768,996	-	1,802,267
340	Charges for Goods and Services	4,274,123	226,421	1,562,316	-
350	Fines and Penalties	17,527	17,527	-	-
360	Miscellaneous Revenues	192,624	71,576	35,422	43,886
Total Revenues:		10,959,458	4,343,437	1,597,738	2,491,157
Expenditures					
510	General Government	740,947	740,947	-	-
520	Public Safety	1,331,637	1,331,637	-	-
530	Utilities	910,154	-	-	-
540	Transportation	617,060	617,060	-	-
550	Natural/Economic Environment	1,303,308	928,701	374,607	-
560	Social Services	-	-	-	-
570	Culture and Recreation	89,632	89,632	-	-
Total Expenditures:		4,992,738	3,707,977	374,607	-
Excess (Deficiency) Revenues over Expenditures:		5,966,720	635,460	1,223,131	2,491,157
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	400,000	400,000	-	-
Total Other Increases in Fund Resources:		400,000	400,000	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,236,763	5,372	-	2,163,536
591-593, 599	Debt Service	257,349	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	400,000	-	-	-
Total Other Decreases in Fund Resources:		2,894,112	5,372	-	2,163,536
Increase (Decrease) in Cash and Investments:		3,472,608	1,030,088	1,223,131	327,621
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,971,648	476,739	4,129,196	1,365,713
50841	Committed	3,147,243	-	-	-
50851	Assigned	5,357,811	-	-	3,593,777
50891	Unassigned	4,638,230	4,638,230	-	-
Total Ending Cash and Investments		19,114,932	5,114,969	4,129,196	4,959,490

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

		311 Vehicle and Equipment	400 Sewer and Stormwater Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	104,716	3,914,793
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	2,485,386
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	952	40,788
Total Revenues:		952	2,526,174
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	910,154
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	910,154
Excess (Deficiency) Revenues over Expenditures:		952	1,616,020
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	-	67,855
591-593, 599	Debt Service	-	257,349
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	400,000
Total Other Decreases in Fund Resources:		-	725,204
Increase (Decrease) in Cash and Investments:		952	890,816
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	3,147,243
50851	Assigned	105,668	1,658,366
50891	Unassigned	-	-
Total Ending Cash and Investments		105,668	4,805,609

The accompanying notes are an integral part of this statement.

City of La Center
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General	300 Impact	310 Capital Project
Beginning Cash and Investments					
308	Beginning Cash and Investments	14,625,769	4,995,728	1,431,351	4,833,201
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,196,488	1,795,736	-	400,752
320	Licenses and Permits	481,061	481,061	-	-
330	Intergovernmental Revenues	883,539	241,889	-	641,650
340	Charges for Goods and Services	4,821,227	271,384	1,963,108	-
350	Fines and Penalties	39,730	39,730	-	-
360	Miscellaneous Revenues	3,574,900	63,377	31,450	66,296
Total Revenues:		11,996,945	2,893,177	1,994,558	1,108,698
Expenditures					
510	General Government	947,013	947,013	-	-
520	Public Safety	1,445,122	1,445,122	-	-
530	Utilities	855,539	-	-	-
540	Transportation	586,967	586,967	-	-
550	Natural/Economic Environment	1,553,655	1,033,810	519,845	-
560	Social Services	-	-	-	-
570	Culture and Recreation	79,322	79,322	-	-
Total Expenditures:		5,467,618	4,092,234	519,845	-
Excess (Deficiency) Revenues over Expenditures:		6,529,327	(1,199,057)	1,474,713	1,108,698
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	8,100	8,100	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	306,749	298,249	-	-
Total Other Increases in Fund Resources:		314,849	306,349	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,434,855	18,138	-	1,301,930
591-593, 599	Debt Service	4,084,666	-	-	-
597	Transfers-Out	8,100	-	-	8,100
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	300,000	-	-	-
Total Other Decreases in Fund Resources:		5,827,621	18,138	-	1,310,030
Increase (Decrease) in Cash and Investments:		1,016,555	(910,846)	1,474,713	(201,332)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,581,979	-	2,906,065	675,914
50841	Committed	2,483,294	-	-	-
50851	Assigned	5,492,170	-	-	3,955,955
50891	Unassigned	4,084,881	4,084,881	-	-
Total Ending Cash and Investments		15,642,324	4,084,881	2,906,065	4,631,869

The accompanying notes are an integral part of this statement.

City of La Center
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		311 Vehicle & Equipment	400 Sewer
Beginning Cash and Investments			
308	Beginning Cash and Investments	175,077	3,190,412
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	2,586,735
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	1,584	3,412,193
Total Revenues:		1,584	5,998,928
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	855,539
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	855,539
Excess (Deficiency) Revenues over Expenditures:		1,584	5,143,389
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	8,500	-
Total Other Increases in Fund Resources:		8,500	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	80,445	34,342
591-593, 599	Debt Service	-	4,084,666
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	300,000
Total Other Decreases in Fund Resources:		80,445	4,419,008
Increase (Decrease) in Cash and Investments:		(70,361)	724,381
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	2,483,294
50851	Assigned	104,716	1,431,499
50891	Unassigned	-	-
Total Ending Cash and Investments		104,716	3,914,793

The accompanying notes are an integral part of this statement.

CITY OF LA CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of La Center was incorporated on August 23, 1909 and operates under the laws of the State of Washington applicable to a Non-Charter Code City. The City is a general-purpose government and provides street improvements, public safety, parks and recreation, health and social services. In addition, the City owns and operates a sewer and stormwater system.

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

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

GOVERNMENTAL FUND TYPES:

General/Reserve Fund

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

Capital Project 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.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, compensatory time or sick leave. Vacation pay, which may be accumulated up to a maximum of 56.1 days, is payable upon resignation, retirement, or death. If specific requirements are met within certain bargaining groups, sick leave may also be paid at separation, death, lay-off, or retirement. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, Long-Term Debt.

G. Restricted and committed portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments as of 2021 consist of the following:

Fund	Restricted Ending Balance	Committed Ending Balance
General Fund (001)	\$ 476,739	\$ -
Impact Fee Fund (300)	4,129,196	-
R.E.E.T. 1 (310)	674,787	-
R.E.E.T. 2 (310)	655,781	-
Capital Projects (310)	35,145	
Sewer (400)	-	3,147,243
Total	<u>\$ 5,971,648</u>	<u>\$ 3,147,243</u>

Restrictions and commitments of Ending Cash and Investments as of 2020 consist of the following:

Fund	Restricted Ending Balance	Committed Ending Balance
Impact Fee Fund (300)	\$ 2,906,065	\$ -
R.E.E.T. 1 (310)	347,375	-
R.E.E.T. 2 (310)	328,539	-
Sewer (400)	-	2,483,295
Total	\$ 3,581,979	\$ 2,483,295

NOTE 2 - BUDGET COMPLIANCE

The City adopts annual appropriated budgets for General, Reserve, Impact Fee, Capital Projects, Vehicle/Equipment, and Sewer Funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted budgets for 2021 were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 4,098,176	\$ 3,713,229	\$ 384,947
Reserve Fund *	-	116	(116)
Impact Fund	1,027,458	-	1,027,458
Capital Projects Fund	3,971,179	2,163,537	1,807,642
Vehicle/Equipment Fund	82,000	-	82,000
Sewer Operations Fund	1,330,498	1,320,278	10,220
Sewer Capital/Equipment Fund *	230,000	60,101	169,899
Sewer Debt Service Fund *	258,587	257,349	1,238
Stormwater Fund *	173,812	97,628	76,184
Total	\$ 11,171,710	\$ 7,612,238	\$ 3,559,472

The City's expenditures for 2021 exceed legal appropriations in the Reserve Fund, which is a managerial fund. Immaterial bank fees were paid from the Reserve Fund which were not included in the budget.

The appropriated and actual expenditures for the legally adopted budgets for 2020 were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 4,153,553	\$ 4,110,357	\$ 43,196
Reserve Fund *	-	-	-
Impact Fund	-	-	-
Capital Projects Fund	3,074,500	1,310,031	1,764,469
Vehicle/Equipment Fund	298,000	80,445	217,555
Sewer Operations Fund	1,100,426	1,116,823	(16,397)
Sewer Capital/Equipment Fund *	425,000	13,811	411,189
Sewer Debt Service Fund *	258,787	258,587	200
Sewer Line Fund *	3,635,691	3,826,079	(190,388)
Stormwater Fund *	167,679	59,249	108,430
Total	\$ 13,113,636	\$ 10,775,382	\$ 2,338,254

The City's expenditures for 2020 exceed legal appropriations in two funds, one of which is a managerial fund:

Sewer Operations Fund: The Sewer Operations fund did not have legal appropriations to cover all its expenditures by \$16,397. Sewer Excise Tax and Professional services were the largest areas that exceeded authorized budget.

Sewer Line Fund: The Sewer Line Fund is the managerial fund used to account for the transactions with the Cowlitz Tribe and the Intergovernmental agreement for the debt associated with the costs for the extension of the sewer services from the City's wastewater treatment facility to the western edge of the City's municipal boundary. The financial transactions within this managerial fund were not sufficient to cover the final payoff of principal and interest; all of which is funded by the Cowlitz Tribe.

Budgeted amounts are authorized at the fund level; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Investments and Deposits	
Bank Deposits	\$ 14,103,875
Local Government Investment Pool	1,513,869
US Bank Treasury Notes	3,497,189
	<u>\$ 19,114,933</u>

Cash and Investments by type at December 31, 2020, are as follows:

Investments and Deposits	
Bank Deposits	\$ 8,153,148
Local Government Investment Pool	1,512,285
US Bank Treasury Notes	5,976,891
	<u>\$ 15,642,324</u>

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to each fund.

Investments in the State Local Government Investment Pool

The City is a voluntary participant in the Local Government Investment Pool (LGIP), 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, 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 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 deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

The City invests only in securities authorized by WA State law, and primarily purchases certificates of deposit, LGIP (Local Government Investment Pool), and obligations for both the U.S Government and government sponsored agencies. The City's stated investment policy (Res. 2004 – 244) is to invest in public funds in a manner that will preserve the principal and maximize returns while remaining in compliance with all federal, state, and local governing statutes.

In order to preserve principal, the City implemented the following four investment composition rules: 1) Limiting the investments in a single financial institution to no more than 50% of the portfolio value at any time; 2) Limiting investment amount into LGIP to no more than 50% of the portfolio value at any time; 3) Limiting investment amount into repurchase agreements to no more than 25% of the portfolio value at any time; 4) Limiting investment amount into CD's to no more than 50% of the net worth of that institution at any time.

Investments may not exceed 10 years and shall follow a schedule that meets anticipated cash demands. Currently investments held at US Bank have an average of 8 years to maturity.

NOTE 4 - PROPERTY TAXES

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

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

The City of La Center regular levy for 2021 was \$1.0012648307 per \$1,000 on an assessed valuation of \$539,798,706 for a total regular levy of \$540,481.

The City of La Center regular levy for 2020 was \$1.0532171803 per \$1,000 on an assessed valuation of \$476,358,741 for a total regular levy of \$501,709.

NOTE 5 – INTERFUND LOANS

As part of the August 1, 2006, transfer of ownership of the City Sewer System from Clark Public Utilities, the City of La Center funded the Sewer payment of \$2,532,865 in the form of inter-fund loans from the City's General Fund to the City's Sewer Fund. At the time of the transfer, the Sewer System had no funds for operating, so another \$275,000 inter-fund loan was made from the City's Reserve Fund to the City's Sewer Fund. Since 2006, multiple inter-fund loans have been made from the City's Reserve Fund to the City's Sewer Fund. Loan balances as of January 1, 2020 have been corrected.

The Sewer fund debt to the City of LaCenter as of December 31, 2021 is as follows:

Borrowing Fund	Lending Fund	Balance 1/1/2021	Additions: New Loans and Interest	Repayments	Balance 12/31/2021
Sewer	General	\$ 2,794,483	\$ 17,838	\$ -	\$ 2,812,321
Sewer	General	201,320	107	201,427	-
Sewer	General	255,800	5,935	-	261,735
Sewer	General	493,486	3,150	-	496,636
Sewer	General	2,401,027	15,327	-	2,416,354
Sewer	General	436,432	2,786	-	439,218
Sewer	General	745,073	4,756	-	749,829
Sewer	General	637,583	1,020	-	638,603
Sewer	General	7,348,726	146,975	198,573	7,297,128
Total		\$ 15,313,930	\$ 197,894	\$ 400,000	\$ 15,111,824

The Sewer fund debt to the City of LaCenter as of December 31, 2020 is as follows:

Borrowing Fund	Lending Fund	Balance 1/1/2020	Additions: New Loans and Interest	Repayments	Balance 12/31/2020
Sewer	General	\$ 2,731,432	\$ 63,051	\$ -	\$ 2,794,483
Sewer	General	54,190	1,042	55,232	-
Sewer	General	436,023	10,065	244,768	201,320
Sewer	General	250,000	5,800	-	255,800
Sewer	General	482,352	11,134	-	493,486
Sewer	General	2,346,854	54,173	-	2,401,027
Sewer	General	426,585	9,847	-	436,432
Sewer	General	728,262	16,811	-	745,073
Sewer	General	636,564	1,019	-	637,583
Sewer	General	7,204,633	144,093	-	7,348,726
Total		\$ 15,296,895	\$ 317,035	\$ 300,000	\$ 15,313,930

NOTE 6 - LONG TERM DEBT

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City and summarizes the debt transactions for the years ended December 31, 2021 and 2020.

Total combined debt service requirements for the governmental loans as of December 31, 2021 are as follows:

Year	Principal	Interest	Total
2022	\$ 247,451	\$ 8,661	\$ 256,112
2023	247,451	7,424	254,875
2024	247,451	6,186	253,638
2025	247,451	4,949	252,400
2026	247,451	3,712	251,163
2027-2028	494,903	3,712	498,615
	<u>\$ 1,732,160</u>	<u>\$ 34,643</u>	<u>\$ 1,766,803</u>

Total combined debt service requirements for the governmental loans as of December 31, 2020 are as follows:

Year	Principal	Interest	Total
2021	\$ 247,451	\$ 9,898	\$ 257,349
2022	247,451	8,661	256,112
2023	247,451	7,424	254,875
2024	247,451	6,186	253,638
2025	247,451	4,949	252,400
2026-2028	742,354	7,424	749,778
	<u>\$ 1,979,611</u>	<u>\$ 44,541</u>	<u>\$ 2,024,153</u>

NOTE 7 - PENSION PLANS

State Sponsored Pension Plans

Substantially all city 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 2/3 and LEOFF 2).

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

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

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

The City's 2021 total contributions (including DRS fees) to the retirement plan were as follows: \$57,565 for Plan 1 UAAL, \$94,062 for PERS 2/3, and \$36,277 for LEOFF 2.

The City's 2020 total contributions (including DRS fees) to the retirement plan were as follows: \$58,370 for Plan 1 UAAL, \$96,631 for PERS 2/3, and \$39,830 for LEOFF 2.

As stated in the DRS CAFR at June 30, 2021 (the measurement date of the plans), the City proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Allocation %	Liability (Asset)
Plan 1 UAAL	0.007728%	94,377
PERS 2/3	0.009930%	(989,188)
LEOFF 2	0.018198%	(1,057,015)

As stated in the DRS CAFR at June 30, 2020 (the measurement date of the plans), the City proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Allocation %	Liability (Asset)
Plan 1 UAAL	0.008054%	284,350
PERS 2/3	0.010489%	134,151
LEOFF 2	0.020361%	(415,335)

The City also participates in the 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 8 – RISK MANAGEMENT

The City of La Center is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, and 2020, 105 and 103 entities participate in the AWC RMSA pool, respectively.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

NOTE 9 – HEALTH & WELFARE

The City of La Center 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, 2021, and 2020, 262 cities/towns/non-city entities participate 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, 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 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. 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.

NOTE 10 – COVID-19 PANDEMIC

COVID 19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

As a result of the pandemic in the year ended December 31, 2020, the City experienced a loss of card room tax revenues of about \$900,000. This was offset by increased sales tax. Additionally, the City had delinquent bills increase by 3% to 5%.

For the year ended December 31, 2021 there was no substantial impact as a result of the pandemic.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the City is unknown at this time.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absenses		208,131	-	88,701	119,430
264.30	Pension Liabilities		418,501	-	324,124	94,377
263.88	PWTF PC08-9510-21	10/1/2028	1,979,611	-	247,451	1,732,160
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,606,243	-	660,276	1,945,967
Total Liabilities:			2,606,243	-	660,276	1,945,967

**City of La Center
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		203,522	4,609	-	208,131
264.30	Pension Liability		425,537	-	7,036	418,501
263.88	PWTF PC08-951-021	10/1/2028	2,227,063	-	247,452	1,979,611
252.11	2017 Special Revenue	6/30/2020	3,748,020	-	3,748,020	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,604,142	4,609	4,002,508	2,606,243
Total Liabilities:			6,604,142	4,609	4,002,508	2,606,243

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.

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