



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Bonney Lake

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

Published December 22, 2022

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

December 22, 2022

Mayor and City Council
City of Bonney Lake
Bonney Lake, Washington

Report on Financial Statements

Please find attached our report on the City of Bonney Lake'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 Bonney Lake January 1, 2021 through December 31, 2021

Mayor and City Council
City of Bonney Lake
Bonney Lake, 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 Bonney Lake, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 13, 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 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. 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 13, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Bonney Lake January 1, 2021 through December 31, 2021

Mayor and City Council
City of Bonney Lake
Bonney Lake, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Bonney Lake, as of and for the year ended December 31, 2021, 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 Bonney Lake, and its changes in cash and investments, for the year ended December 31, 2021, 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 Bonney Lake, as of December 31, 2021, 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.

Matter of Emphasis

As discussed in Note 9 to the 2021 financial statements, as a result of the COVID-19 pandemic, the full extent of the direct or indirect financial impact on the City is unknown at this time. 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 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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

December 13, 2022

FINANCIAL SECTION

City of Bonney Lake January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

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

		Total for All Funds (Memo Only)	001 General Fund	120 Drug Investigation Fund	121 Federal Drug Investigation
Beginning Cash and Investments					
308	Beginning Cash and Investments	78,437,243	17,751,847	70,756	64,123
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	18,998,897	17,060,987	-	-
320	Licenses and Permits	878,134	878,134	-	-
330	Intergovernmental Revenues	6,216,160	1,628,694	3,000	-
340	Charges for Goods and Services	30,532,435	1,676,668	-	-
350	Fines and Penalties	240,907	193,087	1,678	46,142
360	Miscellaneous Revenues	836,095	521,328	883	82
Total Revenues:		57,702,628	21,958,898	5,561	46,224
Expenditures					
510	General Government	4,253,235	4,253,235	-	-
520	Public Safety	7,133,088	7,128,242	4,846	-
530	Utilities	15,281,252	-	-	-
540	Transportation	2,838,040	2,043,090	-	-
550	Natural/Economic Environment	1,372,403	1,372,403	-	-
560	Social Services	411,318	411,318	-	-
570	Culture and Recreation	1,429,000	1,429,000	-	-
Total Expenditures:		32,718,336	16,637,288	4,846	-
Excess (Deficiency) Revenues over Expenditures:		24,984,292	5,321,610	715	46,224
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,834,626	39,626	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	94,854	-	-	-
Total Other Increases in Fund Resources:		3,929,480	39,626	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	20,091,217	106,870	-	-
591-593, 599	Debt Service	3,867,820	-	-	-
597	Transfers-Out	3,834,626	3,795,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	22	22	-	-
Total Other Decreases in Fund Resources:		27,793,685	3,901,892	-	-
Increase (Decrease) in Cash and Investments:		1,120,087	1,459,344	715	46,224
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	21,672,621	128	71,472	110,347
50841	Committed	14,632,191	4,716,326	-	-
50851	Assigned	28,757,787	-	-	-
50891	Unassigned	14,494,747	14,494,747	-	-
Total Ending Cash and Investments		79,557,346	19,211,201	71,472	110,347

The accompanying notes are an integral part of this statement.

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

		130 Affordable Housing Tax Revenue	131 ARPA Fund	202 Limited Tax G.O. Refunding Bonds, 2015	301 Street CIP
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,444	-	83,699	7,492,731
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	64,870	-	-	938,707
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,954,594	-	-
340	Charges for Goods and Services	-	-	-	339,242
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	48	1,648	878	8,085
Total Revenues:		64,918	2,956,242	878	1,286,034
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		64,918	2,956,242	878	1,286,034
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	995,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	995,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	329,684
591-593, 599	Debt Service	-	-	993,328	-
597	Transfers-Out	-	39,626	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	39,626	993,328	329,684
Increase (Decrease) in Cash and Investments:		64,918	2,916,616	2,550	956,350
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	80,362	2,916,616	86,249	8,410,561
50841	Committed	-	-	-	38,521
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		80,362	2,916,616	86,249	8,449,082

The accompanying notes are an integral part of this statement.

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

		302 Park CIP	303 Public Works Center CIP	320 General Government CIP	401 Water
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,002,224	14,978,432	669,617	15,032,515
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	651,737	-	282,596	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,607,026	-	-	-
340	Charges for Goods and Services	459,331	-	-	11,868,134
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	13,339	10,441	157,942	95,683
Total Revenues:		2,731,433	10,441	440,538	11,963,817
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	7,551,849
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	7,551,849
Excess (Deficiency) Revenues over Expenditures:		2,731,433	10,441	440,538	4,411,968
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,800,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	9,773
Total Other Increases in Fund Resources:		2,800,000	-	-	9,773
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,405,505	9,849,856	92,728	4,021,421
591-593, 599	Debt Service	-	-	-	1,346,332
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,405,505	9,849,856	92,728	5,367,753
Increase (Decrease) in Cash and Investments:		2,125,928	(9,839,415)	347,810	(946,012)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	3,328,153	5,139,018	403,053	574,598
50841	Committed	2,800,000	-	614,374	-
50851	Assigned	-	-	-	13,511,904
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		6,128,153	5,139,018	1,017,427	14,086,502

The accompanying notes are an integral part of this statement.

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

		402 Sewer	415 Storm Water	501 Equip. Rental & Replacement
Beginning Cash and Investments				
308	Beginning Cash and Investments	11,476,886	3,481,334	3,317,635
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	22,846	-
340	Charges for Goods and Services	12,198,294	1,912,840	2,077,926
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	14,921	4,065	6,752
Total Revenues:		12,213,215	1,939,751	2,084,678
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	5,972,363	1,757,040	-
540	Transportation	-	-	794,950
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		5,972,363	1,757,040	794,950
Excess (Deficiency) Revenues over Expenditures:		6,240,852	182,711	1,289,728
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	5,083	-	79,998
Total Other Increases in Fund Resources:		5,083	-	79,998
Other Decreases in Fund Resources				
594-595	Capital Expenditures	1,312,681	272,509	699,963
591-593, 599	Debt Service	1,401,698	126,462	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		2,714,379	398,971	699,963
Increase (Decrease) in Cash and Investments:		3,531,556	(216,260)	669,763
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	416,865	135,199	-
50841	Committed	2,175,011	300,560	3,987,399
50851	Assigned	12,416,567	2,829,316	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		15,008,443	3,265,075	3,987,399

The accompanying notes are an integral part of this statement.

City of Bonney Lake
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	74,104	74,104
388 & 588	Net Adjustments	-	-
310-390	Additions	268,848	268,848
510-590	Deductions	240,340	240,340
	Net Increase (Decrease) in Cash and Investments:	28,508	28,508
508	Ending Cash and Investments	102,611	102,611

The accompanying notes are an integral part of this statement.

**City of Bonney Lake, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bonney Lake, organized as a non-chartered code city, was incorporated in 1949 utilizing the Mayor/Council form of government. The City’s legislative authority, the City Council, consists of a Mayor and seven Councilmembers who are elected to overlapping four-year terms of office. The Council is responsible for assuring citizen representation through policy discretion and adoption of local codes and legislation. The City is a general purpose local government and provides a wide range of municipal services including police, engineering, parks and recreation, street improvements and general administrative services. In addition, the City provides water, sewer and surface water services.

The City of Bonney Lake reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor’s Office under 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 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 any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the primary operating fund of the government. It accounts for all financial resources of the general government, except those required 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 (CIP)

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

- The Street CIP Fund is used for capital purposes such as roads, streets, sidewalks, and street lights.
- The Park CIP Fund is used for capital improvements that are park related.
- The Public Works Center CIP Fund is used for capital improvements for the future building.
- The General Government CIP Fund is used for all other general capital purposes.

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.

The City reports the following major enterprise funds:

- The Water Fund accounts for activities of water distribution for the City. The City operates its own water distribution system.
- The Sewer Fund accounts for the sewer collection activities for the City. The City operates its own sewage pumping stations and collections systems, and has a capacity agreement with the City of Sumner, who operates the wastewater treatment plant.
- The Stormwater Fund accounts for the activities of stormwater treatment and disposal.

Internal Service Funds

These account for fleet management services provided to other departments 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 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 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 defined by the City as assets with an initial individual purchase price of \$10,000 or greater and an estimated useful life in excess of two years, or for infrastructure assets, with an initial purchase price of \$50,000 or more and a useful life of greater than 20 years. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation leave accumulates at various rates, depending upon date of hire, contract and City policy. Sick leave accumulates at four hours per pay period.

Vacation pay, which may be accumulated up to a maximum of 240 hours or 30 days, is payable upon resignation, retirement or death.

After 5 years of employment, 25% of accumulated sick leave up to a maximum of 720 hours is payable upon resignation or layoff. Upon retirement, or death, 100% of accumulated sick leave up to a maximum of 720 hours is payable. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, 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 the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Ending Cash and Investments consist of:

Fund	Restricted Ending Balance Funds	Committed Ending Balance Funds	Assigned Ending Balance Funds	Unassigned Ending Balance Funds	Total
General Fund	128	4,716,326		14,494,747	19,211,201
Drug Investigation Fund	71,472				71,472
Drug Investigation Fund(federal)	110,347				110,347
Affordable Housing	80,362				80,362
American Recovery Plan Act	2,916,616				2,916,616
Debt Service Fund	86,249				86,249
Street CIP	8,410,561	38,521	-		8,449,083
Parks CIP	3,328,153	2,800,000			6,128,153
PWC CIP	5,139,018	-			5,139,018
General Govt CIP Fund	403,053	614,374			1,017,426
Water Fund	574,598	-	13,511,904		14,086,502
Sewer Fund	416,865	2,175,011	12,416,567		15,008,444
Stormwater Fund	135,199	300,560	2,829,316		3,265,075
ERR Fund		3,987,399			3,987,399
Custodial Funds	102,611				102,611
Total	21,775,231	14,632,191	28,757,787	14,494,747	79,659,957

General Fund has restricted revenues under RCW 71.24.55. Committed revenues include Council motion to commit revenues for future software replacement as well as police radio replacements.

Drug Investigations Funds are restricted by RCW 69.50.505.

Affordable Housing Funds are restricted by RCW 82.14.540.

Street CIP and Parks CIP Funds have Traffic Impact Fees (TIF), Park Impact Fees (PIF) which are all restricted by RCW. TIF and PIF are restricted by RCW 82.02.050-110. As well as RCW 82.46.010 and RCW 82.46.035.

Debt Service, Public Works Center CIP, Water, Sewer and Storm have funds that are restricted by bond covenants.

General Government CIP has funds restricted by RCW 82.46.010.

Committed Funds in the Contingency Fund, Street CIP, Parks CIP, PWC CIP and ERR Fund have all been committed by previous Council action.

NOTE 2 - BUDGET COMPLIANCE

The City adopts biennial appropriated budgets for general, special revenue, capital, debt and proprietary funds. These budgets are appropriated at the fund level. The general fund provides information at the department level for management purposes, but is adopted at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the biennium.

Biennial 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 were as follows:

	Budget Amounts		Actual Exp Biennium Through 12/31/2021	Variance with Final Budget Over (Under)
	Approved	Approved		
	Original Budget	Revised Budget		
	2021-2022 Biennium	2021-2022 Biennium		
General Fund	\$ 53,929,027	\$ 54,936,028	\$24,039,862	(30,896,166)
Drug Investigation Fund	71,528	71,528	4,846	(66,682)
Federal Drug Investigation Fund	59,235	59,235		(59,235)
Cumulative Reserve Fund	3,709,262	3,709,262		(3,709,262)
Contingency	1,227,539	1,227,539		(1,227,539)
Affordable Housing Fund	109,276	109,276		(109,276)
ARPA Fund		5,909,188	39,626	(5,869,562)
Debt Service Fund	2,078,615	2,078,615	993,328	(1,085,287)
Street CIP	9,401,957	9,423,957	329,682	(9,094,275)
Parks CIP	11,187,425	11,259,925	3,405,504	(7,854,421)
PWC CIP	14,040,000	14,980,000	9,849,856	(5,130,144)
General Govt CIP Fund	1,298,522	1,321,022	92,728	(1,228,294)
Water Fund	35,296,391	36,216,390	12,919,604	(23,296,786)
Sewer Fund	29,735,544	29,735,544	8,686,741	(21,048,803)
Stormwater Fund	7,314,597	7,314,596	2,156,011	(5,158,585)
ERR Fund	7,720,716	7,720,716	1,494,911	(6,225,805)
Total	177,179,634	186,072,821	64,012,698	(122,060,123)

Budgeted amounts are authorized to be transferred between departments within any fund; 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 Finance Committee, Mayor or Council. The budget was amended on Dec. 8, 2020, by Ordinance 1645.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Type of deposit or investment	City deposits and investments	Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$ 4,603,677	\$102,612	\$ 4,706,289
Local Government Investment Pool	74,953,668		74,953,668
Total	\$79,557,345	\$102,612	\$79,659,957

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

B. Investments in Local Government Investment Pool (LGIP)

The City 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, online at <http://www.tre.wa.gov>.

During 2021, the City had its entire investment in the Washington State Local Government Investment Pool.

C. 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 the possession of an outside party. The City's

deposits are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution or the collateral pool administered by the by the Washington Public Deposit Protection Commission (PDPC).

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

NOTE 4 – PROPERTY TAXES

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

The City's regular levy for 2021 was \$0.84351 per \$1,000 of assessed valuation of \$4,111,070,430 for a total regular levy of \$3,467,720. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 5 –LONG TERM DEBT

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

The debt service requirements for general obligation bonds, revenue bonds and Public Works Trust Fund Loans are as follows:

At December 31, 2021, the general obligation bonds payable consist of the following issue for governmental activities:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2015 LTGO	18 Yrs.	3.50% avg	7,885,000	400,000
2017 LTGO	15 yrs	2.27% avg	4,032,000	283,000

The annual debt service requirements to maturity for this general obligation bond is as follows:

2015 LTGO	Governmental Activities		
Year Ending	Principal	Interest	Total
2022	410,000	219,000	629,000
2023	420,000	202,600	622,600
2024	440,000	185,800	625,800
2025	455,000	168,200	623,200
2026	475,000	150,000	625,000
2027-2031	2,675,000	449,600	3,124,600
2032	600,000	24,000	624,000
Totals	5,475,000	1,399,200	6,874,200

Revenue Bonds

2017 LTGO	Governmental Activities		
Year Ending	Principal	Interest	Total
2022	289,000	72,708	361,708
2023	295,000	66,148	361,148
2024	302,000	59,451	361,451
2025	309,000	52,596	361,596
2026	316,000	45,582	361,582
2027-2031	1,692,000	116,973	1,808,973
Totals	3,203,000	413,458	3,616,458

The City has also issued revenue bonds where the government pledged income derived from the acquired or constructed assets to pay debt service.

At December 31, 2021, the revenue bonds payable consist of the following:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2016 Revenue Bonds	25 yrs.	4.0%	15,865,000	445,000

Revenue bond debt service requirements to maturity are as follows:

	2016 Revenue Bonds		
Year Ending	Principal	Interest	Total
2022	465,000	590,750	1,055,750
2023	480,000	572,150	1,052,150
2024	500,000	552,950	1,052,950
2025	520,000	532,950	1,052,950
2026	540,000	512,150	1,052,150
2027-2031	3,055,000	2,217,950	5,272,950
2032-2036	3,705,000	1,556,950	5,261,950
2037-2041	4,570,000	698,650	5,268,650
Totals	13,835,000	7,234,500	21,069,500

Public Works Trust Fund Loans

Public Works Trust Fund Loans are a low interest rate loan available from the State of Washington Department of Commerce, Local Government & Infrastructure Division for qualifying projects and are a direct responsibility of the City. The debt is repaid by proprietary fund revenues.

At December 31, 2021 the Public Works Trust Fund loans debt service consists of the following:

	Public Works Trust Fund Loans		
Year Ending	Principal	Interest	Total
2022	1,765,587	45,569	1,811,156
2023	1,392,540	36,083	1,428,623
2024	1,328,825	28,463	1,357,288
2025	797,242	21,161	818,403
2026	797,242	16,517	813,759
2027-2031	2,374,527	28,217	2,402,744
Totals	8,455,963	176,011	8,631,973

NOTE 6 – PENSION PLANS

A. State Sponsored Pension Plans

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

- Public Employees' Retirement System (PERS)
- Public Safety Employees' Retirement System (PSERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (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 obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

At June 30, 2021 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	410,486.00	0.055107%	\$672,985
PERS 2/3	658,353.00	0.069500%	(\$6,923,318)
PSERS 2	11,170.00	0.022886%	(\$52,578)
LEOFF 1	N/A	0.008791%	(\$301,141)
LEOFF 2	189,418.00	0.095021%	(\$5,519,213)

LEOFF Plan 1

The City 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 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.

Public Employees' Retirement System (PERS)

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

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

age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

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

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

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

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

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Public Safety Employees' Retirement System (PSERS)

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

To be eligible for membership, an employee must work on a full time basis and:

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

B. ICMA-RC GOVERNMENT MONEY PURCHASE PLAN AND TRUST

All full-time and qualifying part-time employees are given the option to participate in a 457(b) defined contribution qualified plan administered by Mission Square, a non-profit financial services corporation. Contributions to the system by employees is optional, and employees may contribute as much to the plan as they wish, within the contribution limits set by the Internal Revenue Service. Contributions to the system by the employer are matched up to \$150 per month. The City Administrator is authorized to receive a total City contribution match of \$300 per month. Vesting schedule based upon Plan. The City of Bonney Lake contributed a total amount of \$192,382.50 in employer paid benefits in 2021.

NOTE 7 –OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The City administers a single-employer, defined benefit healthcare plan, the LEOFF 1 Retiree Healthcare Plan. The plan provides lifetime healthcare benefits for eligible LEOFF 1 retirees through the City's group healthcare plans, which cover both active and retired members. Benefit provisions are established through the LEOFF Disability Board representing LEOFF 1 retirees. The LEOFF 1 Retiree Healthcare Plan does not issue a publicly available financial report. The City contributes 100 percent of the cost of the LEOFF 1 Retiree Healthcare Plan. Plan members do not contribute to the plan. As of December 31, 2021, the plan had 1 member, all retirees. For fiscal year 2021, the City contributed \$3,867.72 to the plan. Plan costs are paid through the General Fund.

Law Enforcement Officers and Firefighters (LEOFF)

Plan Description: As required by the Revised Code of Washington (RCW) Chapter 41.26,

the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977, under a defined benefit plan administered by the City. This plan is commonly referred to as LEOFF 1. The City provides LEOFF 1 post-employment benefits for one retired law enforcement employee.

Under the LEOFF 1 healthcare reimbursements, mandated by RCW 41.26, RCW 41.18, and RCW 41.20, the plan member has no required contributions. The City is required to pay all healthcare expenses incurred by LEOFF 1 retirees. The City's cost is reduced by any amounts retirees receive from Medicare or any other health plans. LEOFF 1 retirees may request reimbursement for healthcare expenses that are not paid by their primary healthcare plan.

Amendments to the plan may be made through State statute.

Membership: Membership in LEOFF 1 includes participants who joined the system by September 30, 1977. As of December 31, 2021, one City employee meets this requirement. This is considered a closed group. No new members are permitted.

Funding Policy: Funding for LEOFF 1 retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements. Retirees are not required to contribute any portion of the cost coverage.

OPEB Liability

The City's OPEB liability was measured as of December 31, 2021, and the total OPEB liability \$399,050.

The following presents the total OPEB liability of the City, calculated using the current healthcare.

Changes in the Total OPEB Liability –LEOFF Plan 1

<u>Changes in Total Pension Liability</u>	
Balance as of Dec 31, 2020	\$386,718
Changes for the Year:	
Service Cost	\$0
Interest on Total Pension Liability	\$8,256
Changes in Experience Data & Assumptions	\$30,535
Effect of Plan Changes	\$0
Estimated Benefit Payments	(\$26,459)
Total OPEB Liability - Ending	\$399,050

The City contributed \$9,415.97 at December 31, 2021. For the City's single retired LEOFF 1 member, the City purchased health insurance from LEOFF Health & Welfare Trust for \$3,867.72. The retired law enforcement employee received a benefit contribution of \$5,548.25 for retiree-only coverage.

NOTE 8 – RISK MANAGEMENT

Liability and Property

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

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

Liability coverage is written on an occurrence basis, with auto physical damage deductible of \$1,000 and property deductible of \$25,000. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by

type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

Healthcare/Medical

The City of Bonney Lake 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, 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 9 – 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.

In response to the pandemic, most City facilities were closed to the public but reopened on July 19, 2021. Many city employees began to work remotely at the start of the pandemic, and continue to do so. As a result, new procedures have been put in place. While some activities have been limited or temporarily curtailed, the City continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions

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 Bonney Lake
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2017 G.O.Bond- BONGO17 5/4/2017	12/1/2031	3,486,000	-	283,000	3,203,000
251.11	2015 LTGO Bond Refunding 3/26/2015	12/1/2032	5,875,000	-	400,000	5,475,000
Total General Obligation Debt/Liabilities:			9,361,000	-	683,000	8,678,000
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PW 03-691-003 Spring Source H2O 08/29/2003	7/1/2023	191,147	-	63,715	127,432
263.88	PW 04-691-008 Ballpark Well treatmnt 06/07/2004	7/1/2024	714,706	-	178,677	536,029
263.88	PW 04-691-009 Leak Reduction Pgm 06/07/2004	7/1/2024	989,822	-	247,456	742,366
263.88	PC 08-951-004 Leak Reduction II 01/15/2009	7/1/2028	2,381,097	-	297,637	2,083,460
263.88	PW 02-691-006 Sumner Trt Plnt 04/23/2002	7/1/2022	746,094	-	373,047	373,047
263.88	PW 04-691-007 Sewer Trt Plnt Upgde 06/07/2004	7/1/2024	421,800	-	105,450	316,350
263.88	PW 06-962-ELP-302 Reconst Sewr to 01/02/2007	7/1/2026	157,895	-	26,316	131,579
263.88	PC 08-951-005 Reconstruct Swr line 01/16/2009	7/1/2028	1,565,853	-	195,731	1,370,122
263.88	PC 12-951-045 Waste Water Treatment Plnt 8/9/2012	7/1/2031	3,053,136	-	277,558	2,775,578
263.92	BONWAT16 - 2016 Water/Sewer/storm Bonds 10/12/2016	12/1/2041	14,280,000	-	445,000	13,835,000
259.12	Compensated Absences		1,789,284	-	109,404	1,679,880
264.30	Pension Liability		2,817,574	-	2,144,589	672,985
264.40	OPEB Payable		386,718	12,332	-	399,050
Total Revenue and Other (non G.O.) Debt/Liabilities:			29,495,126	12,332	4,464,580	25,042,878
Total Liabilities:			38,856,126	12,332	5,147,580	33,720,878

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.

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