



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Liberty Lake

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

Published July 6, 2023

Report No. 1032874



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

July 6, 2023

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

Report on Financial Statements

Please find attached our report on the City of Liberty 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 Liberty Lake January 1, 2022 through December 31, 2022

Mayor and City Council
City of Liberty Lake
Liberty 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 Liberty Lake, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated June 20, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in black ink and is positioned above the printed name.

Pat McCarthy, State Auditor

Olympia, WA

June 20, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Liberty Lake January 1, 2022 through December 31, 2022

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

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

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

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

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

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Matter of Emphasis

As discussed in Note 5 to the financial statements, in 2022, the City adopted new accounting guidance for the presentation and disclosure of lease reporting as required by the BARS Manual. 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023 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

June 20, 2023

FINANCIAL SECTION

City of Liberty Lake January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

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

		Total for All Funds (Memo Only)	001 General Fund	115 Tourism Promotion Fund	116 Tourism Promotion Capital Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,832,985	9,353,786	128,673	251,660
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	12,129,881	9,794,641	101,396	65,867
320	Licenses and Permits	1,528,329	1,528,329	-	-
330	Intergovernmental Revenues	2,610,043	2,043,277	-	-
340	Charges for Goods and Services	1,536,167	307,239	-	-
350	Fines and Penalties	30,806	30,806	-	-
360	Miscellaneous Revenues	719,402	176,212	3,487	5,414
Total Revenues:		18,554,628	13,880,504	104,883	71,281
Expenditures					
510	General Government	2,267,263	2,231,818	-	-
520	Public Safety	3,111,015	3,111,015	-	-
530	Utilities	136,412	-	-	-
540	Transportation	774,979	774,979	-	-
550	Natural/Economic Environment	1,286,265	1,121,544	26,000	-
560	Social Services	4,605	4,605	-	-
570	Culture and Recreation	2,725,938	2,035,216	-	-
Total Expenditures:		10,306,477	9,279,177	26,000	-
Excess (Deficiency) Revenues over Expenditures:		8,248,151	4,601,327	78,883	71,281
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	6,000,000	-	-	-
397	Transfers-In	3,953,434	750,000	-	-
385	Special or Extraordinary Items	650,263	-	-	-
381, 382, 389, 395, 398	Other Resources	25,633	25,633	-	-
Total Other Increases in Fund Resources:		10,629,330	775,633	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	12,263,457	3,184,690	-	-
591-593, 599	Debt Service	118,035	118,035	-	-
597	Transfers-Out	3,953,434	2,903,434	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		16,334,926	6,206,159	-	-
Increase (Decrease) in Cash and Investments:		2,542,555	(829,199)	78,883	71,281
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,975,554	979,040	207,555	322,940
50841	Committed	2,695,278	1,628,108	-	-
50851	Assigned	5,210,190	422,917	-	-
50891	Unassigned	5,494,523	5,494,523	-	-
Total Ending Cash and Investments		18,375,545	8,524,588	207,555	322,940

The accompanying notes are an integral part of this statement.

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

		117 Tourism Promotion Area (TPA)	310 REET 1 Capital Projects Fund	311 REET 2 Special Capital Projects Fund	312 Street Capital Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	13,636	871,646	2,096,277	373,511
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	1,006,657	1,006,657	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	566,766	-	-
340	Charges for Goods and Services	136,370	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	558	6,075	228,070	8,898
Total Revenues:		136,928	1,579,498	1,234,727	8,898
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	138,090	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		138,090	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(1,162)	1,579,498	1,234,727	8,898
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	200,000
385	Special or Extraordinary Items	-	650,263	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	650,263	-	200,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	2,200,281	1,119,692	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	2,200,281	1,119,692	-
Increase (Decrease) in Cash and Investments:		(1,162)	29,480	115,035	208,898
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	901,124	2,211,314	-
50841	Committed	12,474	-	-	-
50851	Assigned	-	-	-	582,409
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		12,474	901,124	2,211,314	582,409

The accompanying notes are an integral part of this statement.

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

		319 Henry Rd Project From Mission To	320 Harvard Road Mitigation Fund	330 Library Capital Fund	331 Municipal Facilities Fund Master Plan
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,522	352,078	113,601	275,700
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	294,593	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	10,350	22,544	5,086
Total Revenues:		-	304,943	22,544	5,086
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:		-	304,943	22,544	5,086
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,850,000	-	19,295	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,850,000	-	19,295	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,844,369	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,844,369	-	-	-
Increase (Decrease) in Cash and Investments:		5,631	304,943	41,839	5,086
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	657,022	-	-
50851	Assigned	12,154	-	155,440	280,785
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		12,154	657,022	155,440	280,785

The accompanying notes are an integral part of this statement.

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

		334 Police Capital Fund	335 Community Messaging Fund	336 Underground Utility Fund	337 Building Contingency Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	107,575	91,650	129,332	115,750
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	51,833	1,699	1,475	1,972
Total Revenues:		51,833	1,699	1,475	1,972
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:		51,833	1,699	1,475	1,972
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	25,000	9,139
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	25,000	9,139
Other Decreases in Fund Resources					
594-595	Capital Expenditures	11,533	-	82,502	18,281
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		11,533	-	82,502	18,281
Increase (Decrease) in Cash and Investments:		40,300	1,699	(56,027)	(7,170)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	93,349	73,306	108,580
50851	Assigned	147,875	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		147,875	93,349	73,306	108,580

The accompanying notes are an integral part of this statement.

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

		338 Trailhead Improvements Project Fund	410 Stormwater Utility Fund	411 Aquifer Protection Fund	420 Golf Operations Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	362,130	140,613	302,622	608,732
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	90,561	64,102	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	783,219
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	37,411	5,547	8,587	141,897
Total Revenues:		37,411	96,108	72,689	925,116
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	114,681	21,731	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	631
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	690,722
Total Expenditures:		-	114,681	21,731	691,353
Excess (Deficiency) Revenues over Expenditures:		37,411	(18,573)	50,958	233,763
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	6,000,000	-	-	-
397	Transfers-In	1,050,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		7,050,000	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,767,705	-	-	34,404
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	750,000	-	-	300,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,517,705	-	-	334,404
Increase (Decrease) in Cash and Investments:		2,569,706	(18,573)	50,958	(100,641)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	353,581	-
50841	Committed	-	122,039	-	400
50851	Assigned	2,931,837	-	-	507,693
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,931,837	122,039	353,581	508,093

The accompanying notes are an integral part of this statement.

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

		501 Unemployment Fund	502 Medical Reimbursement (Bridge) Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	-	137,491
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	14,746	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	2,287
Total Revenues:		14,746	2,287
Expenditures			
510	General Government	14,746	20,699
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		14,746	20,699
Excess (Deficiency) Revenues over Expenditures:		-	(18,412)
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	50,000
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	50,000
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	-
Increase (Decrease) in Cash and Investments:		-	31,588
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	-	169,080
50891	Unassigned	-	-
Total Ending Cash and Investments		-	169,080

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	48,236
510-590	Deductions	48,236
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

City of Liberty Lake
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Liberty Lake was incorporated on August 31, 2001, and operates under the laws of the state of Washington applicable to a second-class city with a mayor-council form of government. The city is a general purpose local government and provides general government services including public safety, library, street maintenance and improvements, parks and recreation, planning, zoning, code enforcement, and general administrative services. In addition, the city owns and operates a golf course.

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 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

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

American Rescue Plan Act Fund 002 – Rolled into General Fund 001

Special Revenue Funds

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

Street Fund 110 – Rolled into General Fund 001

Parks & Art Fund 111 – Rolled into General Fund 001

Restricted Reserve Fund 120 – Rolled into General Fund 001

Debt Service Funds

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

Capital Projects Funds

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

Proprietary Fund Types:

Enterprise Funds

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

Internal Service Funds

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

Fiduciary Fund Types:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law, the City 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 \$5000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures/expenses when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 640 hours for non-represented employees. Sick leave may be accumulated up to 1080 hours for union employees with the Liberty Lake Police Department. Upon separation or retirement, non-represented employees do not receive payment for unused sick leave. Accrued sick leave, up to a maximum of 640 hours, will be payable upon the official retirement of a union employee with the Liberty Lake Police Department. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6

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 consist of :

Fund	Amount	Reason for Reserved Fund Balance
001 - General Fund	\$ 2,607,148.00	Ordinance No. 04, 107-D, 131-C
115 - Tourism Promotion Fund	\$ 207,555.00	Ordinance No. 17
116 - Tourism Promotion Capital Fund	\$ 322,940.00	Ordinance No. 17-B
117 - Tourism Promotion Area Fund	\$ 12,474.00	Ordinance No. 127
310 - REET 1 Capital Projects Fund	\$ 901,125.00	Ordinance No. 15
311 - REET 2 Special Capital Projects Fund	\$ 2,211,313.00	Ordinance No. 16
320 - Harvard Road Mitigation Fund	\$ 657,022.00	Ordinance No. 83
335 - Community Messaging Fund	\$ 93,349.00	Ordinance No. 226
336 - Underground Utility Fund	\$ 73,306.00	Ordinance No. 226
337 - Building Contingency Fund	\$ 108,580.00	Ordinance No. 226
410 - Stormwater Utility Fund	\$ 122,039.00	Ordinance No. 88A

411 - Aquifer Protection Fund	\$ 353,581.00	Ordinance No. 208
420 - Golf Operations Fund	\$ 400.00	Ordinance No. 116A

Note 2 - Budget Compliance

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - General Fund	\$ 15,222,822.00	\$ 12,484,313.91	\$ 2,411,324.09
002 - American Rescue Plan Act Fund	\$ 3,044,074.00	\$ 1,717,027.06	\$ 1,327,046.94
110 - Street Fund	\$ 1,419,975.00	\$ 1,277,861.00	\$ 142,114.00
111 - Parks & Art Fund	\$ 39,000.00	\$ 6,128.92	\$ 32,871.08
115 - Tourism Promotion Fund	\$ 60,000.00	\$ 26,000.00	\$ 34,000.00
117 - Tourism Promotion Area (TPA)	\$ 138,090.00	\$ 138,090.00	\$ -
310 - REET 1 Capital Projects Fund	\$ 1,845,000.00	\$ 2,200,281.56	\$ (355,281.56)
311 - REET 2 Special Capital Projects Fund	\$ 1,906,500.00	\$ 1,119,691.58	\$ 786,808.42
312 - Street Capital Fund	\$ 225,000.00	\$ -	\$ 225,000.00
319 - Henry Rd Project From Mission To Appleway	\$ 2,300,000.00	\$ 1,844,368.79	\$ 455,631.21
320 - Harvard Road Mitigation Fund	\$ 90,000.00	\$ -	\$ 90,000.00
330 - Library Capital Fund	\$ 100,000.00	\$ -	\$ 100,000.00
331 - Municipal Facilities Fund Master Plan	\$ -	\$ -	\$ -
334 - Police Capital Fund	\$ 57,626.00	\$ 11,533.02	\$ 46,092.98
335 - Community Messaging Fund	\$ -	\$ -	\$ -
336 - Underground Utility Fund	\$ 135,000.00	\$ 82,501.70	\$ 52,498.30
337 - Building Contingency Fund	\$ 125,000.00	\$ 18,280.69	\$ 106,719.31
338 - Trailhead Improvements Project Fund	\$ 8,000,030.00	\$ 4,517,704.60	\$ 3,482,325.40
410 - Stormwater Utility Fund	\$ 264,963.00	\$ 114,681.41	\$ 150,281.59
411 - Aquifer Protection Fund	\$ 189,463.00	\$ 21,730.55	\$ 167,732.45
420 - Golf Operations Fund	\$ 1,217,744.00	\$ 1,025,755.90	\$ 191,988.10
501 - Unemployment Fund	\$ 15,000.00	\$ 14,746.09	\$ 253.91
502 - Medical Reimbursement (Bridge) Fund	\$ 175,000.00	\$ 20,698.64	\$ 154,301.36
630 - Custodial Fund-State Of Washington Collections/remittances	\$ 80,200.00	\$ 48,235.72	\$ 31,964.28

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

Fund 310 REET 1 Capital Projects Fund – In 2022, the City entered into an agreement with Contractor NA Degerstrom to perform repairs to Kramer Parkway from Sprague NE to Country Vista Dr. During design of roadway improvements, it was discovered that construction of a 12” water line in Kramer Parkway Right of Way would be beneficial to the Liberty Lake Water and Sewer and District as well as the adjacent property owner and developer, DR Horton. A signed Memorandum of Understanding authorized an additional scope totaling \$650,262.58 to be charged to the improvements and subsequently reimbursed by DR Horton. Actual Expenses in Fund 310 for 2022 without this agreement total \$1,550,028.98.

Note 3 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2022, are as follows:

Type of Deposit or Investment	
Bank deposits	\$ 1,925,548.21
Revolving Petty Cash/Change Funds	\$ 834.00
Local Government Investment Pool	\$ 16,122,299.17
CD(s)	\$ 326,861.63
TOTAL	\$ 18,375,543.01

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

Investments in the State 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 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’s 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.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2022:

Borrowing <u>Fund</u>	Lending <u>Fund</u>	Balance <u>1/1/2022</u>	<u>New Loans</u>	<u>Repayments</u>	Balance <u>12/31/2022</u>
Harvard Rd Mitigation	General	\$ 610,000.00	\$ -	\$ -	\$ 610,000.00
	TOTALS	\$ 610,000.00	\$ -	\$ -	\$ 610,000.00

Interfund loan repaid February 16, 2023.

Note 5 – Leases

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

The city leases a color multi-functional printer from Xerox Corporation for \$193.00 per month. The lease began July 1, 2018, and will end June 30, 2023.

The city leases a John Deere 310SL Backhoe Loader from Deere Credit Inc. for \$13,258.51 annually. The lease began September 24, 2021, and will end September 24, 2024.

The city leases a 2021 Caterpillar 140AWD Motor Grader from Summit National Bank for \$36,947.47 (includes interest and WA sales tax) annually. Prior to June 15, 2024, the city has the option to purchase the Motor Grader for the sum of \$200,000.00 + \$17,800.00 WA sales tax = \$217,800.00. In 2022, the city did not determine the purchase option to be exercised.

The city leases two (2) 2021 Caterpillar 926M Wheel Loaders from Summit National Bank for \$17,413.11 each loader (includes interest and sales tax) annually. Prior to July 15, 2024, the city has the option to purchase the Wheel Loaders for \$120,000.00 + \$10,680.00 WA sales tax = \$130,680.00 each. In 2022, the city did not determine the purchase option to be exercised.

The city leases body cameras from Axon Enterprise Inc. for \$21,432.00 annually. The lease began in March 2022 and terms March 2026.

The city leases tasers from Axon Enterprise Inc. for \$11,073.51 annually. The lease began in November 2021 and terms November 2025.

The total amount paid for leases in 2022 was \$101,343.00.

As of December 31, 2022, the future minimum lease payments are as follows:

Year ended December 31	Total
2023	\$ 98,956
2024	\$ 460,338
2025	\$ 32,506
2026	\$ 21,432
Total	\$ 613,231

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 City's debt transactions for year ended December 31, 2022.

The long-term debt for general obligation debt/liabilities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 231,140.71	\$ 278,741.97	\$ 509,882.68
2024	\$ 637,782.07	\$ 246,160.40	\$ 883,942.47
2025	\$ 218,400.00	\$ 225,552.16	\$ 443,952.16
2026	\$ 227,150.00	\$ 216,772.48	\$ 443,922.48
2027	\$ 236,300.00	\$ 207,641.04	\$ 443,941.04
2028-2032	\$ 1,331,800.00	\$ 887,849.18	\$ 2,219,649.18
2033-2037	\$ 1,621,900.00	\$ 597,751.92	\$ 2,219,651.92
2038-2042	\$ 1,975,200.00	\$ 244,460.26	\$ 2,219,660.26
TOTALS	\$ 6,479,672.78	\$ 2,904,929.41	\$ 9,384,602.19

Note 7 – Other Disclosures

The City of Liberty Lake has a Tax Increment Financing (TIF) within its boundaries. In the Tax Increment Financing district located north of I-90, the City does not receive the full increase in property tax revenue resulting from new construction and improvements. For this area, 75% of property taxes above the 2006 baseline are dedicated to the TIF fund managed by Spokane County. In 2022, approximately \$202,402.58 was dedicated to the TIF fund out of the City's regular property tax levy for infrastructure development projects. Calculations are performed by the Spokane County Treasurer's Office in January.

At December 31, 2022, the American Rescue Plan Fund 002 had \$979,039.94 of unspent monies.

The City of Liberty Lake entered into an interlocal agreement with the Washington Department of Transportation for a multimodal project, I-90 to Barker to Harvard, which will improve interchanges and local roads. The city has agreed to contribute \$6,000,000 to the project that is located within the City. The City's contribution may include services and real estate acquired for the project. The project is included in the City's Capital Improvements Plan and is eligible for LIFT and TIF reimbursement and the City will seek reimbursement for any expenditure(s).

Construction Commitment

The City of Liberty Lake has two (2) active construction projects as of December 31, 2022.

At year-end, the city commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Trailhead Construction - Bouten	\$3,603,347.29	\$3,691,652.71
Public Works Building - Dardan	\$244,419.73	\$2,028,934.27

Of the committed balance of \$5,720,586.98, the city will be required to raise \$0.00 in future financing.

On October 4, 2022, the City Council authorized the Mayor to sign an agreement authorizing private financing for the Trailhead Construction project (noted in the table above) in the amount of \$6,000,000 at a 4.02% interest rate. The city began construction on this facility in June 2022 and it is scheduled for completion in July 2023. The city will contribute \$2,000,000 in additional funds for this project and will make annual payments on the loan balance for up to 20 years with proceeds from the Golf Operations Fund and Real Estate Excise Tax.

Note 8 – Pension Plans

A. 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 Public Employees' Retirement System (PERS) and Law Enforcement Officer's 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, 2022, 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	\$ 98,487	0.016070%	447,448
PERS 2/3	\$ 168,835	0.021016%	(779,437)
LEOFF 2	76,394.68	0.036900%	(1,002,831)

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.

B. Defined Contribution Pension Plans

The city participates in a 401(a) Money Purchase Plan which is a qualified defined contribution retirement plan. The plan administrator is MissionSquare Retirement (formerly ICMA-RC).

All full-time, permanent employees of the City are eligible to enroll in the 401(a) Money Purchase Plan with the exception of police officers who are members of the LEOFF Plan 2 system.

The contribution percentage rate for employees and the city and the amount the City contributed for 2022 are as follows:

Employee	Emp%	City%	CityContr
City Administrator	11	12.75	\$1,508.08
Non-represented	3.1-6	2.36-2.5	\$66,277.33
Police Officers	N/A	5.25	\$74,597.53

Historical trend or other information regarding the plan is presented in the MissionSquare Retirement annual financial report. A copy of this report may be obtained by writing or calling:

VantageTrust
c/o ICMA Retirement Corporation
777 N. Capital St. NE
Washington, DC 20002-4200
202-962-4600 or 800-669-7400

Note 9 - Property Tax

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

Property tax revenues are recognized when cash is received by 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 the year 2022 was \$1.2617 per \$1,000 on an assessed valuation of \$2,319,974,709 for a total regular levy of \$2,927,099.30.

Note 10 – Risk Management

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

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

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

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

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

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

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

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

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

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

The City of Liberty Lake's unemployment claims are self-insured and claims are paid to the Employment Security Department. Claims paid in 2022 amounted to \$14,746.09.

The City of Liberty 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, 2022, 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 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

City of Liberty Lake
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.51	Motor Grader Caterpillar 140M	1/15/2024	248,371	-	26,459	221,912
263.51	Wheel Loader SN#5L01184	1/15/2024	140,631	-	11,751	128,880
263.51	Wheel Loader SNW5L01185	1/15/2024	140,631	-	11,751	128,880
251.11	Trailhead Golf Course Building	12/1/2042	-	6,000,000	-	6,000,000
Total General Obligation Debt/Liabilities:			529,633	6,000,000	49,961	6,479,672
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences-Government		346,740	94,045	-	440,785
259.12	Compensated absences-Proprietary		8,408	875	-	9,283
264.30	Net Pension Liability		179,814	267,634	-	447,448
263.57	Xerox copy machine	6/30/2023	3,474	-	2,123	1,351
263.57	John Deere 310 SL Backhoe Loader	9/24/2024	26,517	-	13,259	13,258
263.57	Axon body cameras	3/31/2026	-	110,655	24,927	85,728
263.57	Axon tasers	8/31/2025	44,294	-	11,074	33,221
Total Revenue and Other (non G.O.) Debt/Liabilities:			609,247	473,209	51,383	1,031,074
Total Liabilities:			1,138,880	6,473,209	101,344	7,510,746

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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