



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Castle Rock

For the period January 1, 2021 through December 31, 2022

Published December 11, 2023

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

December 11, 2023

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

Report on Financial Statements

Please find attached our report on the City of Castle Rock'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 Castle Rock January 1, 2021 through December 31, 2022

Mayor and City Council
City of Castle Rock
Castle Rock, 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 Castle Rock, as of and for the years ended December 31, 2022 and 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 5, 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 audits of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

December 5, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Castle Rock January 1, 2021 through December 31, 2022

Mayor and City Council
City of Castle Rock
Castle Rock, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Castle Rock, as of and for the years ended December 31, 2022 and 2021, 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 Castle Rock, and its changes in cash and investments, for the years ended December 31, 2022 and 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 Castle Rock, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 5, 2023

FINANCIAL SECTION

City of Castle Rock January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2022
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021

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

		Total for All Funds (Memo Only)	010 General Fund	100 Street Fund	120 Visitor Center Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	5,695,536	1,117,017	59,772	46,292
388 / 588	Net Adjustments	-	-	(32,713)	-
Revenues					
310	Taxes	1,791,267	1,717,415	-	14,000
320	Licenses and Permits	84,179	84,179	-	-
330	Intergovernmental Revenues	755,280	440,746	49,118	-
340	Charges for Goods and Services	2,847,214	54,783	47,495	-
350	Fines and Penalties	9,975	9,975	-	-
360	Miscellaneous Revenues	323,634	25,275	2,682	259
Total Revenues:		5,811,549	2,332,373	99,295	14,259
Expenditures					
510	General Government	327,688	327,688	-	-
520	Public Safety	1,094,727	1,094,727	-	-
530	Utilities	2,171,181	14,184	-	-
540	Transportation	142,233	-	142,233	-
550	Natural/Economic Environment	170,360	170,056	84	6
560	Social Services	725	725	-	-
570	Culture and Recreation	95,181	4,403	-	8,195
Total Expenditures:		4,002,095	1,611,783	142,317	8,201
Excess (Deficiency) Revenues over Expenditures:		1,809,454	720,590	(43,022)	6,058
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	161,008	46,008	65,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	64,573	944	8,391	-
Total Other Increases in Fund Resources:		225,581	46,952	73,391	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	942,021	114,811	37	220
591-593, 599	Debt Service	597,695	42,405	37,213	-
597	Transfers-Out	161,007	65,000	5,000	42,170
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	16,259	-	-	-
Total Other Decreases in Fund Resources:		1,716,982	222,216	42,250	42,390
Increase (Decrease) in Cash and Investments:		318,053	545,326	(11,881)	(36,332)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,302,583	467,376	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,663,280	96,993	15,176	9,959
50891	Unassigned	1,047,724	1,097,974	-	-
Total Ending Cash and Investments		6,013,587	1,662,343	15,176	9,959

The accompanying notes are an integral part of this statement.

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

		130 Library Fund	160 CDBG Grant/Home Rehab Project	170 DOT Spoil Site Fund	195 Low Income Housing Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,327	189,431	48,045	55,635
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	429	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	3,199
340	Charges for Goods and Services	2,059	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15,262	14,336	391	738
Total Revenues:		17,750	14,336	391	3,937
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	5	-	74	-
560	Social Services	-	-	-	-
570	Culture and Recreation	17,616	-	47,258	-
Total Expenditures:		17,621	-	47,332	-
Excess (Deficiency) Revenues over Expenditures:		129	14,336	(46,941)	3,937
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	40,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	34,358	-
Total Other Increases in Fund Resources:		-	-	74,358	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	99,375	-
591-593, 599	Debt Service	-	-	200	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	10,160	-
Total Other Decreases in Fund Resources:		-	-	109,735	-
Increase (Decrease) in Cash and Investments:		129	14,336	(82,318)	3,937
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,457	203,767	-	59,572
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	(34,273)	-
Total Ending Cash and Investments		15,457	203,767	(34,273)	59,572

The accompanying notes are an integral part of this statement.

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

		300 Swimming Pool Const Fund, 1987	310 REET Capital Fund	320 Street Construction Capital Fund	400 Water/Sewer Operating Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	140,324	111,714	20,026	3,796,025
388 / 588	Net Adjustments	-	-	32,713	-
Revenues					
310	Taxes	-	59,423	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	262,217	-
340	Charges for Goods and Services	-	-	-	2,603,490
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,883	1,901	131,452	112,190
Total Revenues:		1,883	61,324	393,669	2,715,680
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,002,321
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	47
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	2,002,368
Excess (Deficiency) Revenues over Expenditures:		1,883	61,324	393,669	713,312
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	10,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	10,160	-	-	10,720
Total Other Increases in Fund Resources:		10,160	-	-	20,720
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	455,719	256,779
591-593, 599	Debt Service	-	-	-	517,877
597	Transfers-Out	-	34,090	-	7,804
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	6,099
Total Other Decreases in Fund Resources:		-	34,090	455,719	788,559
Increase (Decrease) in Cash and Investments:		12,043	27,234	(62,050)	(54,527)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	152,367	138,948	-	1,265,096
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	2,476,402
50891	Unassigned	-	-	(9,311)	-
Total Ending Cash and Investments		152,367	138,948	(9,311)	3,741,498

The accompanying notes are an integral part of this statement.

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

		420 Stormwater Management Fund	475 Boat Launch Facility Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	41,681	54,247
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	139,387	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	398	16,867
Total Revenues:		139,785	16,867
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	154,676	-
540	Transportation	-	-
550	Natural/Economic Environment	79	9
560	Social Services	-	-
570	Culture and Recreation	-	17,709
Total Expenditures:		154,755	17,718
Excess (Deficiency) Revenues over Expenditures:		(14,970)	(851)
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	6,450	8,630
591-593, 599	Debt Service	-	-
597	Transfers-Out	6,943	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		13,393	8,630
Increase (Decrease) in Cash and Investments:		(28,363)	(9,481)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	19,984	44,766
50891	Unassigned	(6,666)	-
Total Ending Cash and Investments		13,318	44,766

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	010 General Fund	100 Street Fund	120 Visitor Center Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,547,499	682,400	50,103	36,158
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,668,996	1,597,914	-	19,967
320	Licenses and Permits	83,692	83,692	-	-
330	Intergovernmental Revenues	942,918	470,410	79,312	-
340	Charges for Goods and Services	3,477,152	89,751	53,245	-
350	Fines and Penalties	18,958	18,958	-	-
360	Miscellaneous Revenues	125,278	8,999	7,183	26
Total Revenues:		6,316,994	2,269,724	139,740	19,993
Expenditures					
510	General Government	331,107	331,107	-	-
520	Public Safety	1,054,673	1,054,673	-	-
530	Utilities	2,454,378	13,509	-	-
540	Transportation	218,264	-	140,952	-
550	Natural/Economic Environment	195,273	194,975	84	-
560	Social Services	673	673	-	-
570	Culture and Recreation	91,453	2,866	-	7,777
Total Expenditures:		4,345,821	1,597,803	141,036	7,777
Excess (Deficiency) Revenues over Expenditures:		1,971,173	671,921	(1,296)	12,216
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	1,338,357	38,357	-	-
397	Transfers-In	256,024	36,932	50,900	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	96,269	21,098	6,908	-
Total Other Increases in Fund Resources:		1,690,650	96,387	57,808	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	674,885	95,825	4,636	-
591-593, 599	Debt Service	564,978	28,779	37,213	-
597	Transfers-Out	256,024	209,092	5,000	2,082
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	17,918	-	-	-
Total Other Decreases in Fund Resources:		1,513,805	333,696	46,849	2,082
Increase (Decrease) in Cash and Investments:		2,148,018	434,612	9,663	10,134
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,106,587	314,576	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,865,126	78,618	59,772	46,292
50891	Unassigned	723,823	723,823	-	-
Total Ending Cash and Investments		5,695,536	1,117,017	59,772	46,292

The accompanying notes are an integral part of this statement.

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

		130 Library Fund	160 CDBG Grant/Home Rehab Project	170 DOT Spoil Site Fund	195 Low Income Housing Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,670	189,290	37,218	52,594
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	885	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	18,344	3,000
340	Charges for Goods and Services	2,016	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	23,614	141	87	40
Total Revenues:		26,515	141	18,431	3,040
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	5	-	74	-
560	Social Services	-	-	-	-
570	Culture and Recreation	15,853	-	38,024	-
Total Expenditures:		15,858	-	38,098	-
Excess (Deficiency) Revenues over Expenditures:		10,657	141	(19,667)	3,040
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	-	-	48,453	-
Total Other Increases in Fund Resources:		-	-	48,453	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	7,798	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	10,160	-
Total Other Decreases in Fund Resources:		-	-	17,958	-
Increase (Decrease) in Cash and Investments:		10,657	141	10,828	3,040
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,327	189,431	-	55,635
50841	Committed	-	-	-	-
50851	Assigned	-	-	48,045	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		15,327	189,431	48,045	55,635

The accompanying notes are an integral part of this statement.

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

		300 Swimming Pool Const Fund, 1987	310 REET Capital Fund	320 Street Construction Capital Fund	400 Water/Sewer Operating Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	130,075	83,244	158,401	2,071,156
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	50,230	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	78,834	226,000
340	Charges for Goods and Services	-	-	-	3,194,482
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	89	73	30,613	41,779
Total Revenues:		89	50,303	109,447	3,462,261
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,381,434
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	47
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	2,381,481
Excess (Deficiency) Revenues over Expenditures:		89	50,303	109,447	1,080,780
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	1,300,000
397	Transfers-In	-	3,192	-	135,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	10,160	-	-	9,650
Total Other Increases in Fund Resources:		10,160	3,192	-	1,444,650
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	247,821	285,908
591-593, 599	Debt Service	-	-	-	498,986
597	Transfers-Out	-	25,026	-	7,914
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	7,758
Total Other Decreases in Fund Resources:		-	25,026	247,821	800,566
Increase (Decrease) in Cash and Investments:		10,249	28,469	(138,374)	1,724,864
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	140,324	111,714	20,026	1,259,554
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	2,536,471
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		140,324	111,714	20,026	3,796,025

The accompanying notes are an integral part of this statement.

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

		420 Stormwater Management Fund	475 Boat Launch Facility Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	50,596	1,594
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	67,018
340	Charges for Goods and Services	137,658	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	57	12,577
Total Revenues:		137,715	79,595
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	59,435	-
540	Transportation	77,312	-
550	Natural/Economic Environment	79	9
560	Social Services	-	-
570	Culture and Recreation	-	26,933
Total Expenditures:		136,826	26,942
Excess (Deficiency) Revenues over Expenditures:		889	52,653
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	30,000	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		30,000	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	32,897	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	6,910	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		39,807	-
Increase (Decrease) in Cash and Investments:		(8,918)	52,653
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	41,681	54,247
50891	Unassigned	-	-
Total Ending Cash and Investments		41,681	54,247

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	175,836	175,836
388 & 588	Net Adjustments	-	-
310-390	Additions	171,671	171,671
510-590	Deductions	187,190	187,190
	Net Increase (Decrease) in Cash and Investments:	(15,519)	(15,519)
508	Ending Cash and Investments	160,316	160,316

The accompanying notes are an integral part of this statement.

City of Castle Rock
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	118,126	118,126
388 & 588	Net Adjustments	-	-
310-390	Additions	166,421	166,421
510-590	Deductions	108,712	108,712
	Net Increase (Decrease) in Cash and Investments:	57,709	57,709
508	Ending Cash and Investments	175,836	175,836

The accompanying notes are an integral part of this statement.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The City of Castle Rock, Washington was incorporated on June 20, 1890 and operates under the laws of the state of Washington applicable to a non-charter Code City. The City is a general purpose local government and provides public safety, street improvement, parks, library, recreation and general administrative services. The City owns a water system and operates a water treatment plant in a joint venture with Cowlitz County. In addition, the City also owns and operates a sewer system and sewage treatment plant.

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 (see Note 6 – *Component Unit(s), Joint Ventures, and Related Parties*).
- 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.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Special Revenue Funds

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

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.

Fiduciary Fund Types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent 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 assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated as outlined below:

Supervisory Staff and Non-Bargaining Employees	Police Bargaining Unit	Clerical Bargaining Unit	Public Works Bargaining Unit
280 hours	280 hours	240 hours	240 hours

City of Castle Rock

Notes to Financial Statements

January 1, 2022 through December 31, 2022

Public Works Director Employment Agreement	Clerk-Treasurer Employment Agreement	Police Chief Employment Agreement
280 hours	280 hours	280 hours

Supervisory Staff and Eligible Non-Bargaining Employees may exceed allowable accruals, upon written approval by the mayor.

Bargaining unit employees cannot exceed the maximum accrual hours, without obtaining prior written approval from the department supervisor or mayor. Additional approved time must be used down to the maximum hours within ninety days of the signed approval unless special provisions are authorized by the mayor. Public Works and Clerical Bargaining Units require any vacation hours accrued in excess of the 240 hours accrual limit (and not having obtained written approval for the overage) to be paid at the end of the month following accrual of the excess hours. Employment Agreements require any vacation hours accrued in excess of the 280 hours accrual limit (and not having obtained written approval for the overage) to be paid at the end of the year in which the accrual was earned.

For all eligible employees, vacation accruals are payable upon separation or retirement.

Sick leave may be accumulated as outlined below:

Supervisory Staff and Non-Bargaining Employees	Police Bargaining Unit	Clerical Bargaining Unit	Public Works Bargaining Unit
840 hours	720 hours	720 hours	856 hours

Public Works Director Employment Agreement	Clerk-Treasurer Employment Agreement	Police Chief Employment Agreement
720 hours	720 hours	720 hours

The Police Bargaining Unit employees, Public Works Director, Clerk-Treasurer and Police Chief accumulating over 720 hours of sick leave shall exchange all additional accumulated sick leave for pay at the rate of 50% (8 hours additional would be 4 hours paid at regular rate of pay, 4 hours loss) processed in the final payroll period of the applicable year.

Upon separation or retirement, Public Works Bargaining Unit employees do not receive payment for unused sick leave.

Clerical and Police Bargaining Units, Public Works Director, Clerk-Treasurer and Police Chief employees receive a payment of their accumulated sick. Clerical Bargaining Unit employees receive 10% of their accumulated sick. Police Bargaining Unit employees receive 20% if employed less than 11 years and 25% if employed more than 11 years. Public Works Director, Clerk-Treasurer and Police Chief receive 25% of their accumulated sick. In case of death of the

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Public Works Director, Clerk-Treasurer or Police Chief, all accumulated sick leave shall be paid to the beneficiary of the Employee.

Eligible employees not covered by a collective bargaining agreement receive a payment of 10% of the accumulated unused sick leave who have been employed 5 – 9 years and 25% for those employed more than 10 years.

Payments are recognized as expenditures when paid. Those discharged for cause shall not be entitled to receive a payment of their accumulated sick leave.

F. Long-Term Debt

See Note 8 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution. 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 consists of the following funds:

- **General Fund;** operations are funded by property taxes, sales tax and fees. All proceeds support general services including law enforcement. Restricted funds include American Recovery Plan Act funding. As of December 31, 2022, the restricted ending fund balance was \$336,795.00.
- **Library Fund;** operations are funded from a voter-approved excess levy on property taxes. All proceeds support provision of library services. As of December 31, 2022, the restricted ending fund balance was \$15,457.38.
- **Criminal Justice Fund;** restricted by Washington State RCW to fund law enforcement functions. As of December 31, 2022, the restricted ending fund balance was \$31,917.70.
- **Local Criminal Justice Fund;** voter approved 1/10th of 1% sales and use tax to support law enforcement services. As of December 31, 2022, the restricted ending fund balance was \$95,468.86.
- **CDBG Grant/Home Rehab Project Fund;** low/moderate income financing to provide health and safety related home repairs to qualified owner-occupied homeowners. Proceeds are restricted by grant requirements. As of December 31, 2022, the restricted ending fund balance was \$203,767.21.
- **Drug Enforcement Fund;** restricted for law enforcement use only for drug enforcement. As of December 31, 2022, the restricted ending fund balance was \$3,194.84.
- **Low Income Housing Fund;** proceeds are derived from a portion of the document recording fees and are restricted by Washington State RCW. Funds are intended for programs assisting low income persons. As of December 31, 2022, the restricted ending fund balance was \$59,571.55.

City of Castle Rock

Notes to Financial Statements

January 1, 2022 through December 31, 2022

- **Swimming Pool Construction Fund;** voter approved funding for construction of a community swimming pool (refer to Note 6, *Component Unit(s), Joint Ventures, and Related Parties #3*). As of December 31, 2022, the restricted ending balance was \$152,366.72.
- **REET Capital Fund;** restricted by Washington State RCW to fund capital projects which are included on the City's Capital Facility Plan. As of December 31, 2022, the restricted ending balance was \$138,947.57.
- **Municipal Water Capital Improvements;** restricted funds include a loan from Heritage Bank for the SR 411 Water Main Replacement & Sewer Main Repair Project. As of December 31, 2022, the restricted ending balance was \$1,190,000.00.
- **Utility Deposit;** funds paid by utility customers. When the account is closed, the deposit is applied to the customer's outstanding balance, with the remaining refunded to the customer. As of December 31, 2022, the restricted ending fund balance was \$75,096.35.
- **Transportation Benefit District and TBD Capital Projects Funds;** restricted by ordinance. Funds are to be used for preservation of transportation system needs. Funding is voter-approved additional sales and use tax specific to that use. As of December 31, 2022, the restricted ending fund balances for each was \$154,499.72 and \$3,456.17, respectively.
- **State Custodial Pass-Thru Fund;** funds collected through Castle Rock Municipal Court, contracted with Cowlitz County. This is the portion collected to be paid directly to Washington State. As of December 31, 2022, the restricted ending fund balance was \$2,359.57.

The governing body has not imposed any restrictions or commitments on any other fund balance.

Note 2 – Budget Compliance

The City adopts annual appropriated budgets for the general, special revenue, debt service, capital project, enterprise and agency funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<i>General Fund</i>			
Executive Department	76,157.00	63,722.10	12,434.90

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Municipal Court Department	104,585.00	73,214.95	31,370.05
Finance Department	140,794.00	132,515.63	8,278.37
Police Department	1,142,789.00	1,132,401.96	10,387.04
Park Department	12,526.00	4,171.00	8,355.00
Planning Department	136,814.00	121,945.98	14,868.02
Non-Department	213,244.00	189,056.69	24,187.31
Total General Fund	1,826,909.00	1,717,028.31	109,880.69
Petty Cash/Change Fund	0.00	0.00	0.00
Street Fund	179,174.00	217,280.36	(38,106.36)
Building Code Account Fund	45,655.00	41,058.55	4,596.45
Visitor Center Fund	51,224.00	50,592.23	631.77
Library Fund	37,055.00	17,619.36	19,435.64
Criminal Justice Fund	1,667.00	832.63	834.37
Local Criminal Justice Fund	95,130.00	85,078.29	10,051.71
CDBG Grant Rehab Fund	1,000.00	0.00	1,000.00
DOT Spoil Site Fund	183,020.00	157,066.77	25,953.23
Public Works Vehicle Replacement Fund	20,000.00	8,473.67	11,526.33
Drug Enforcement Fund	0.00	0.00	0.00
Low Income Housing Fund	0.00	0.00	0.00
Swimming Pool Construction Fund	0.00	0.00	0.00
REET Capital Fund	56,800.00	34,089.90	22,710.10
Street Construction Capital Fund	526,750.00	455,719.53	71,030.47
Water Department Fund	1,066,412.00	1,038,165.93	28,246.07
Sewer Department Fund	1,153,757.00	1,108,182.61	45,574.39
Regional Water System Fund	581,606.00	563,180.63	18,425.37
Regional Sewer System Fund	566,285.00	566,283.41	1.59
Stormwater Management Fund	161,459.00	161,696.74	(237.74)

City of Castle Rock

Notes to Financial Statements
January 1, 2022 through December 31, 2022

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Stormwater Capital Reserve Fund	13,000.00	14,450.20	(1,450.20)
Regional Water Capital Improvement Fund	63,017.00	14,024.41	48,992.59
Municipal Water Capital Improvement Fund	3,271,100.00	198,994.90	3,072,105.10
Water Bond Reserve Fund	0.00	0.00	0.00
Sewer Bond Reserve Fund	0.00	0.00	0.00
Sewer Loan Reserve Fund	0.00	0.00	0.00
Short Lived Asset Account Fund	0.00	0.00	0.00
Municipal Sewer Capital Improvement Fund	201,100.00	37,055.58	164,044.42
Boat Launch Facility Fund	1,024,978.00	26,347.82	998,630.18
Utility Deposit Fund	10,000.00	6,098.79	3,901.21
Transportation Benefit District Fund	182,830.00	179,857.11	2,972.89
Transportation Benefit District Capital Fund	0.00	0.00	0.00
State Custodial Pass-Thru Fund	24,510.00	7,332.24	17,177.76
Total All Funds	11,344,438.00	6,706,509.97	4,637,928.03

Variances include unexpended balances and budgeted ending fund balances. In addition, variances in the Municipal Water Capital Improvement fund, Municipal Sewer Capital Improvement Fund and Boat Launch Facility Fund include projects that were not completed, some of which are grant funded.

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 the City's legislative body.

For reporting purposes on Statement C-4, activities for the following funds have been combined as follows:

General Fund Totals:

General Fund	Petty Cash/Change Fund
Building Code Account Fund	Criminal Justice Fund
Local Criminal Justice Fund	Accumulative Reserve Fund
Drug Enforcement Fund	

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Stormwater Utilities Totals:

Stormwater Management Fund	Stormwater Capital Reserve Fund
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Utilities Fund Totals:

Public Works Vehicle Replacement Fund	Water Fund
Sewer Fund	Regional Water Fund
Regional Sewer Fund (closed in 2022)	Regional Water Capital Improvement Fund
Municipal Water Capital Improvement Fund	Water Bond Reserve Fund
Sewer Bond Reserve Fund	Sewer Loan Reserve Fund
Short Lived Asset Account Fund	Emergency Repair and Replacement Fund
Municipal Sewer Capital Improvement Fund	Utility Deposit Fund

The City manages funds for the Castle Rock City Transportation Benefit District. Included in those funds are the following:

Transportation Benefit District Fund	TBD Capital Project Fund
--------------------------------------	--------------------------

Interfund transfers are eliminated from actual expenditures if the transfer exists between these combined funds. Total interfund transfers eliminated is \$767,532.41.

Note 3 – Deposits and Investments

Investments are reported at original cost.

Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	City's Own Deposits and Investments	Deposits and Investments held by the City as Custodian for Other Local Governments, Individuals, or Private Organizations	Total
Bank Deposits	1,758,075	160,316	1,918,391
Local Government Investment Pool	4,255,512	0.00	4,255,512
Total	6,013,587	160,316	6,173,903

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

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

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 – Environmental and Certain Asset Retirement Liabilities

The City has six wells requiring capping in the future. Due to the inability to estimate the dates and cost of the decommissioning of the wells, the City cannot estimate the related liability.

The City has a water treatment plant, and a sewage treatment plant requiring decommissioning in the future. Due to inability to estimate the dates and cost of the decommissioning of the plants, the City cannot estimate the related liability.

Note 5 – Interfund Loans

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022	Foot Note
DOT Spoil Site (original amount \$140,000)	Swimming Pool Construction	\$15,500	\$0	\$7,750	\$7,750	a.
Total Interfund Loans		\$15,500	\$0	\$7,750	\$7,750	

- a. Initial terms were a one-year loan, with an interest rate of 1.8% beginning February 1, 2010. Purpose of the loan was to provide equity for the DOT Spoil Site Fund to allow for reimbursable grant funded projects to proceed. Sale of dredge spoil material, which is the primary revenue source for this fund was suspended until resolution of the State/City land swap for the west side of the Cowlitz River. Loan repayments resumed with the sales of material in 2019. Additional amount of \$16,000 borrowed in 2018 to assist with general expenses until land swap complete. Total loan balance, with an interest rate of 2.2% begins 12/18/18, payable within five years.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Note 6 – Joint Ventures, Component Unit(s), and Related Parties

1. Regional Utility System Agreement

As of an agreement dated March 31, 1976, the City of Castle Rock and Cowlitz County operate jointly, the Regional Water System. The Regional Water System provides water service to the City of Castle Rock and to outlying areas within the County. On December 22, 1999, a new agreement was signed between Cowlitz County and the City, which formed a Castle Rock/Toutle Regional Utility System (RUS). This agreement included provisions for the operation, construction and maintenance of both the Wastewater Treatment Plant and the Water Treatment Plant facilities and included definition of the service area and financial obligation to both the City and County entities. The RUS Board of Directors consists of two members from both the City and County and those members select the fifth member of the board. The RUS board members meet at least annually to review the budget and evaluate budgetary funding contributions for both entities. In December 2009, the City acquired the water and sewer infrastructure and customers located on the 'Westside' of the Cowlitz River, from Cowlitz County. As a result, Cowlitz County no longer has any customers where sewer service is provided.

The City of Castle Rock Public Works Department is responsible for the daily operation of the regional water treatment plant and the Finance Office is responsible for the maintenance of budgetary issues. Financial information is recorded in the City's Fund No. 410, Regional Water System Fund, and is included in this report. All real or personal property acquired by the entities prior to this agreement remains in the ownership of the jurisdiction in which the property is located.

2. Voter Approved Swimming Pool Construction Funds

In 1986, voters approved a bond measure for issuing \$100,000 of general obligation bonds to be used, along with private trust fund monies, for the purpose of constructing a new municipal swimming pool facility. Both the bond principal and interest were paid out of annual levies in excess of regular property taxes maturing within a maximum term of two years. The general obligation bonds were paid off in 1989, however, the City was unable to construct the swimming pool facility before the private trust fund expired.

The City brought this issue before the voters in February 1994 for the purpose of reassigning this money to be used for reconstruction of arterial streets, with the capability of using these monies as matching funds for any future state or federal grants for the construction, remodel or improvement of arterial street projects. Unfortunately, this issue was defeated by a wide margin. The City Council then requested Cowlitz County Auditor and Cowlitz County Treasurer to advise of the feasibility of returning the monies to the taxpayers. Cowlitz County determined that manpower costs will exceed any feasibility of returning the monies to the taxpayers.

In 1995, public hearings were scheduled and an informal survey held to ascertain if the citizens wanted the \$100,000 returned to the tax payers, or if they wished to have it retained for its original intended use. Citizens participating in the public hearings advised the Council to retain the money for its intended use.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

See Note 5 – *Interfund Loans*, outlining repayment obligations to this fund.

3. Castle Rock Chamber of Commerce – Management of Visitor Center

August 13, 2018, Castle Rock City Council entered into a professional services agreement with the Castle Rock Chamber of Commerce for the management of the Visitor Center. The Big Idea Funds received from the County in the amount of \$26,134 were transferred to the Chamber, in addition to \$8,866 from the sale of the exhibit hall building. These funds would cover wages for 2018. The agreement also provided for additional money from the sale of the exhibit hall in 2019, in the amount of \$15,000. In 2020, the Castle Rock Chamber of Commerce and Visitor Center will be responsible for raising the money needed to fully fund the position and operations of the Visitor Center. The City remains responsible for the facility's maintenance.

4. Formation of Transportation Benefit District

Castle Rock City Council formed the Castle Rock City Transportation Benefit District (CRTBD) in 2012 to provide adequate funding for ongoing transportation improvements that preserve, maintain and, as appropriate, construct or reconstruct the existing transportation infrastructure of the City, consistent with Chapter 36.73 RCW. In November 2012, voters approved an additional sales tax of 2/10th of 1% to fund the CRTBD. Proceeds from that sales tax were not received until 2013. In addition, the City entered into an Interlocal Agreement with the CRTBD Board to provide staffing and related support including, but not limited to, legal, financial, planning and engineering services. Ownership of the infrastructure preserved and maintained by CRTBD funds are and shall remain the property of the City of Castle Rock. No joint ventures are included in this agreement.

5. Cowlitz County / City of Castle Rock Interlocal Cooperation Act

Each year, the City enters into an Interlocal Agreement with Cowlitz County, pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW, to provide Administrative or Engineering Services, Construction, and Maintenance services as requested by the respective agency for a maximum dollar amount for the services not to exceed \$200,000 per calendar year.

Note 7 – Leases

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

The City leases three copiers from Ricoh between \$64 and \$199 per month. Each lease has a 60 month term with rotating end dates.

The City leases a postage machine from Pitney Bowes for \$333 per quarter. The lease began in 2018 and will end August 31, 2023 with no option to cancel.

The City leases land from Niel Keatley for \$200 per year under a lease agreement. The lease began in 2011 and will end October 31, 2060. The lease provides for a cost of living adjustment in 2031 and 2051.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

The total amount paid for leases in 2022 was \$6,539. As of December 31, 2022, the future minimum lease payments are as follows:

<u>Year</u>	<u>Total</u>
2023	6,438.80
2024	1,117.30
2025	200.00
2026	200.00
2027	200.00
2028-2032	1,000.00
2033-2037	1,000.00
2038-2042	1,000.00
2043-2047	1,000.00
2048-2052	1,000.00
2053-2057	1,000.00
2058-2062	600.00
Totals	14,756.10

Note 8 – 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 debt service requirements for general obligation bonds, revenue bonds, and public works loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	413,414.72	174,306.78	587,721.50
2024	371,372.34	162,312.29	533,684.63
2025	365,686.02	152,501.48	518,187.50
2026	337,513.07	143,381.75	480,894.82
2027	331,893.40	134,802.17	466,695.57
2028-2032	1,249,237.58	551,812.32	1,801,049.90
2033-2037	924,262.51	344,524.99	1,268,787.49
2038-2042	707,360.54	189,619.46	896,980.00
2043-2047	445,350.86	35,701.41	481,052.27
2048-2052	19,828.08	689.71	20,517.78
Totals	5,165,919.11	1,889,652.35	7,055,571.46

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Note 9 – Other Disclosures

1. Corrections of Material Errors

In December of 2021, a Transportation Improvement Board reimbursement for a Seal Coat Project in the amount of \$32,173.06 was deposited to Street Fund 100. In June of 2022, the City discovered the expenditures were posted in Street Construction Fund 320, therefore the revenue was posted to the incorrect fund. This was corrected using Prior Period Correction BARS 3881000 and 5881000.

2. Issuance of New Debt

In July of 2021, the City was awarded a Community Economic Revitalization Board (“CERB”) loan in the amount of \$1,500,000 with a grant in the amount of \$500,000 for a total of \$2,000,000 to fund the Exit 48 Water Main Extension Project. The financing contract was signed in 2022; and the project began. Loan proceeds and amortization schedule are based on reimbursements and the first reimbursement in the amount of \$152,480.56 was received in January 2023. Term of loan is 20 years at 1.5% with an interest free deferral period ending January 31, 2024.

3. Adopted Appropriations Exceeded

Street Fund ending fund balance as of December 31, 2022 denoted a deficit of \$38,106.36. The deficit is due to vehicle and equipment repairs and maintenance, and a prior period correction and is offset by reserves.

Stormwater Management Fund ending fund balance as of December 31, 2022 denoted a deficit of \$237.74. The deficit is due to contracted repairs and maintenance and is offset by reserves.

Stormwater Capital Reserve Fund ending fund balance as of December 31, 2022 denoted a deficit of \$1,450.20. The deficit is due to machinery and equipment repair and is offset by reserves.

4. Significant Commitments or Obligations

The City has active construction projects as of December 31, 2022. The projects include:

Funding Note	Project Title	Funding	Spent to Date	Remaining Commitment
a.	SR411 Water Main Replacement and Sewer Main Repair Project	\$1,200,000	\$28,944	\$1,171,056
b.	Exit 48 Water Main Extension Project	\$2,226,000	\$209,170	\$1,790,829
c.	Exit 48 Powell Rd Utilities Project & Exit 48 Sewer Force Main Extension	\$2,000,000	\$0	\$2,000,000

Funding Notes:

- a. SR411 Water Replacement and Sewer Main Repair Project. Project coincides with the state of Washington’s re-decking project of the SR411 bridge over the Cowlitz River. Construction began in early 2023 and is anticipated to be completed in 2024.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

- b. Exit 48 Water Main Extension Project: Funding includes CERB (Community Economic Revitalization Board) \$1,000,000 loan and \$500,000 grant, and Cowlitz County Rural Development \$226,000.
- c. Exit 48 Powell Rd Utilities & Exit 48 Sewer Force Main Extension Projects: Funding includes Cowlitz County Rural Development \$2,000,000.

Note 10 – 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, PERS 2, PERS 3 and LEOFF 2.

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

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

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

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2022 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities (assets), as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$30,803	0.005026%	\$139,942)
PERS 2/3	\$52,806	0.006573%	\$(243,778)
LEOFF 1	\$0	0.002394%	\$(68,675)
LEOFF 2	\$26,333	0.012720%	\$(345,691)
VFFRPF	\$150	0.080000%	\$(22,297.25)

Only the net pension liabilities are reported on the Schedule 09.

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

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.

B. Defined Contribution Pension Plans

- Western Conference of Teamsters Pension Plan
 - i. Plan Administrator: Office of the Chairman, 2323 Eastlake Ave E, Seattle, WA, 98102
 - ii. Three-Digit Plan Number: 001
 - iii. Plan's E.I.N.: 91-6145047
 - iv. Certified Zone Status: Green Zone
 - v. Funded Status: 98.0% as of 1/1/2022
 - vi. Funding Improvement Plan: Not Applicable
 - vii. Surcharge: Not Applicable
 - viii. Employer Rates &:
 - 1. \$0.50 per hour to a maximum of 2,080 hours annually for the Police Bargaining Unit.
 - 2. \$0.15 per hour to a maximum of 2,080 hours annually for the Public Works Bargaining Unit.
 - ix. Employee Rates:
 - 1. \$0.25 per hour to a maximum of 2,080 hours annually for the Public Works Bargaining Unit.
 - x. Employer Contributions: \$5,895
 - xi. Employee Contributions: \$2,977

City of Castle Rock
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Note 11 – 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 \$1.8222398554 per \$1,000 on an assessed valuation of \$228,321,754 for a total regular levy of \$416,057.

In 2021, voters did not approve an excess levy to be assessed in 2022 for the purpose of supporting library services.

Note 12 – Risk Management

The City of Castle Rock is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2022, 106 entities participate in the AWC RMSA pool.

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from National

City of Castle Rock

Notes to Financial Statements

January 1, 2022 through December 31, 2022

League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2022, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

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

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

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

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Note 1 – Summary of Significant Accounting Policies

The City of Castle Rock, Washington was incorporated on June 20, 1890 and operates under the laws of the state of Washington applicable to a non-charter Code City. The City is a general purpose local government and provides public safety, street improvement, parks, library, recreation and general administrative services. The City owns a water system and operates a water treatment plant in a joint venture with Cowlitz County. In addition, the City also owns and operates a sewer system and sewage treatment plant.

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 (see Note 7 – *Joint Ventures, Component Unit(s), and Related Parties*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification 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.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent 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 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets of the City are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated as outlined below:

City of Castle Rock

Notes to Financial Statements
January 1, 2021 through December 31, 2021

Supervisory Staff and Non-Bargaining Employees	Police Bargaining Unit	Clerical Bargaining Unit	Public Works Bargaining Unit
280 hours	280 hours	240 hours	240 hours

Public Works Director Employment Agreement	Clerk-Treasurer Employment Agreement	Police Chief Employment Agreement
280 hours	280 hours	280 hours

Supervisory Staff and Eligible Non-Bargaining Employees may exceed allowable accruals, upon written approval by the mayor.

Bargaining unit employees cannot exceed the maximum accrual hours, without obtaining prior written approval from the department supervisor or mayor. Additional approved time must be used down to the maximum hours within ninety days of the signed approval unless special provisions are authorized by the mayor. Public Works and Clerical Bargaining Units require any vacation hours accrued in excess of the 240 hours accrual limit (and not having obtained written approval for the overage) to be paid at the end of the month following accrual of the excess hours. Employment Agreements require any vacation hours accrued in excess of the 280 hours accrual limit (and not having obtained written approval for the overage) to be paid at the end of the year in which the accrual was earned.

For all eligible employees, vacation accruals are payable upon separation or retirement.

Sick leave may be accumulated as outlined below:

Supervisory Staff and Non-Bargaining Employees	Police Bargaining Unit	Clerical Bargaining Unit	Public Works Bargaining Unit
840 hours	720 hours	720 hours	856 hours

Public Works Director Employment Agreement	Clerk-Treasurer Employment Agreement	Police Chief Employment Agreement
720 hours	720 hours	720 hours

The Police Bargaining Unit employees, Public Works Director, Clerk-Treasurer and Police Chief accumulating over 720 hours of sick leave shall exchange all additional accumulated sick leave for pay at the rate of 50% (8 hours additional would be 4 hours paid at regular rate of pay, 4 hours loss) processed in the final payroll period of the applicable year.

Upon separation or retirement, Public Works Bargaining Unit employees do not receive payment for unused sick leave.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Clerical and Police Bargaining Units, Public Works Director, Clerk-Treasurer and Police Chief employees receive a payment of their accumulated sick. Clerical Bargaining Unit employees receive 10% of their accumulated sick. Police Bargaining Unit employees receive 20% if employed less than 11 years and 25% if employed more than 11 years. Public Works Director, Clerk-Treasurer and Police Chief receive 25% of their accumulated sick. In case of death of the Public Works Director, Clerk-Treasurer or Police Chief, all accumulated sick leave shall be paid to the beneficiary of the Employee.

Eligible employees not covered by a collective bargaining agreement receive a payment of 10% of the accumulated unused sick leave who have been employed 5 – 9 years and 25% for those employed more than 10 years.

Payments are recognized as expenditures when paid. Those discharged for cause shall not be entitled to receive a payment of their accumulated sick leave.

F. Long-Term Debt

See Note 8 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution. 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 consists of the following funds:

- **General Fund;** operations are funded by property taxes, sales tax and fees. All proceeds support general services including law enforcement. Restricted funds include American Recovery Plan Act funding. As of December 31, 2021, the restricted ending fund balance was \$166,054.00.
- **Library Fund;** operations are funded from a voter-approved excess levy on property taxes. All proceeds support provision of library services. As of December 31, 2021, the restricted ending fund balance was \$15,327.19
- **Criminal Justice Fund;** restricted by Washington State RCW to fund law enforcement functions. As of December 31, 2021, the restricted ending fund balance was \$28,382.39.
- **Local Criminal Justice Fund;** voter approved 1/10th of 1% sales and use tax to support law enforcement services. As of December 31, 2021, the restricted ending fund balance was \$116,980.37.
- **CDBG Grant/Home Rehab Project Fund;** low/moderate income financing to provide health and safety related home repairs to qualified owner-occupied homeowners. Proceeds are restricted by grant requirements. As of December 31, 2021, the restricted ending fund balance was \$189,430.66.
- **Drug Enforcement Fund;** restricted for law enforcement use only for drug enforcement. As of December 31, 2021, the restricted ending fund balance was \$3,159.69.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

- **Low Income Housing Fund;** proceeds are derived from a portion of the document recording fees and are restricted by Washington State RCW. Funds are intended for programs assisting low income persons. As of December 31, 2021, the restricted ending fund balance was \$55,634.78.
- **Swimming Pool Construction Fund;** voter approved funding for construction of a community swimming pool (refer to Note 7, *Joint Ventures, Component Unit(s), and Related Parties #3*). As of December 31, 2021, the restricted ending balance was \$140,324.05.
- **REET Capital Fund;** restricted by Washington State RCW to fund capital projects which are included on the City's Capital Facility Plan. As of December 31, 2021, the restricted ending balance was \$111,713.52.
- **Street Construction Capital Fund;** reserved due to grant funding restrictions specific to capital improvement projects included in this fund. As of December 31, 2021, the restricted ending fund balance was \$20,026.48.
- **Utility Deposit;** funds paid by utility customers. When the account is closed, the deposit is applied to the customer's outstanding balance, with the remaining refunded to the customer. As of December 31, 2021, the restricted ending fund balance was \$69,553.98.
- **Transportation Benefit District and TBD Capital Projects Funds;** restricted by ordinance. Funds are to be used for preservation of transportation system needs. Funding is voter-approved additional sales and use tax specific to that use. As of December 31, 2021, the restricted ending fund balances for each was \$170,361.17 and \$3,456.17, respectively.
- **State Custodial Pass-Thru Fund;** funds collected through Castle Rock Municipal Court, contracted with Cowlitz County. This is the portion collected to be paid directly to Washington State. As of December 31, 2021, the restricted ending fund balance was \$2,018.57.

The governing body has not imposed any restrictions or commitments on any other fund balance.

Note 2 – Budget Compliance

The City adopts annual appropriated budgets for the general, special revenue, debt service, capital project, enterprise and agency funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<i>General Fund</i>			
Executive Department	108,889.00	77,750.92	31,138.08
Municipal Court Department	108,147.00	65,525.10	42,621.90
Finance Department	134,172.00	123,921.34	10,250.66
Police Department	1,140,929.00	1,092,153.04	48,775.96
Park Department	13,922.00	2,706.86	11,215.14
Planning Department	161,858.00	145,495.86	16,362.14
Non-Department	363,895.00	354,926.44	8,968.56
Total General Fund	2,031,812.00	1,862,479.56	169,332.44
Petty Cash/Change Fund	0.00	0.00	0.00
Street Fund	178,189.00	187,880.70	(9,691.70)
Building Code Account Fund	44,392.00	41,459.89	2,932.11
Visitor Center Fund	21,500.00	9,858.99	11,641.01
Library Fund	43,386.00	15,857.47	27,528.53
Criminal Justice Fund	1,667.00	858.58	808.42
Local Criminal Justice Fund	25,127.00	26,697.18	(1,570.18)
CDBG Grant Rehab Fund	1,000.00	0.00	1,000.00
DOT Spoil Site Fund	207,044.00	56,055.99	150,988.01
Public Works Vehicle Replacement Fund	17,500.00	0.00	17,500.00
Drug Enforcement Fund	0.00	0.00	0.00
Low Income Housing Fund	0.00	0.00	0.00
Swimming Pool Construction Fund	0.00	0.00	0.00
REET Capital Fund	58,800.00	25,026.14	33,773.86
Street Construction Capital Fund	565,250.00	247,822.37	317,427.63
Water Department Fund	999,990.00	887,109.00	112,881.00
Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Sewer Department Fund	1,000,989.00	975,854.98	25,134.02
Regional Water System Fund	609,328.00	535,829.16	73,498.84
Regional Sewer System Fund	661,684.00	640,879.56	20,804.44
Stormwater Management Fund	146,675.00	143,733.79	2,941.21
Stormwater Capital Reserve Fund	45,000.00	32,897.09	12,102.91
Regional Water Capital Improvement Fund	181,225.00	184,768.39	(3,543.39)
Municipal Water Capital Improvement Fund	1,244,100.00	98,649.45	1,145,450.55
Water Bond Reserve Fund	0.00	0.00	0.00
Sewer Bond Reserve Fund	0.00	0.00	0.00
Sewer Loan Reserve Fund	0.00	0.00	0.00
Short Lived Asset Account Fund	0.00	0.00	0.00
Municipal Sewer Capital Improvement Fund	199,050.00	5,593.57	193,456.43
Boat Launch Facility Fund	972,052.00	26,941.18	945,110.82
Utility Deposit Fund	10,000.00	7,758.00	2,242.00
Transportation Benefit District Fund	158,065.00	94,797.39	63,267.61
Transportation Benefit District Capital Fund	0.00	0.00	0.00
State Custodial Pass-Thru Fund	24,510.00	13,914.49	10,595.51
Total All Funds	9,448,335.00	6,122,722.92	3,325,612.08

Variances include unexpended balances and budgeted ending fund balances. In addition, variances in the DOT Spoil Site Fund, Street Construction Capital Fund, Municipal Water Capital Improvement Fund, and Boat Launch Facility Fund include projects that were not completed, some of which are grant-funded.

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

For reporting purposes on Statement C-4, activities for the following funds have been combined as follows:

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

General Fund Totals:

General Fund	Petty Cash/Change Fund
Building Code Account Fund	Criminal Justice Fund
Local Criminal Justice Fund	Accumulative Reserve Fund
Drug Enforcement Fund	

Stormwater Utilities Totals:

Stormwater Management Fund	Stormwater Capital Reserve Fund
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Utilities Fund Totals:

Public Works Vehicle Replacement Fund	Water Fund
Sewer Fund	Regional Water Fund
Regional Sewer Fund	Regional Water Capital Improvement Fund
Municipal Water Capital Improvement Fund	Water Bond Reserve Fund
Sewer Bond Reserve Fund	Sewer Loan Reserve Fund
Short Lived Asset Account Fund	Emergency Repair and Replacement Fund
Municipal Sewer Capital Improvement Fund	Utility Deposit Fund

The City manages funds for the Castle Rock City Transportation Benefit District. Included in those funds are the following:

Transportation Benefit District Fund	TBD Capital Project Fund
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Interfund transfers are eliminated from actual expenditures if the transfer exists between these combined funds. Total interfund transfers eliminated is \$154,399.00.

Note 3 – 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, Castle Rock City Hall had been closed to the public for a year, though all employees continued to work on-site. New procedures had been put in place in order to protect the health of every person. While some activities had been limited or temporarily curtailed, the City continued 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 Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Note 4 – Deposits and Investments

Investments are reported at original cost.

Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	City's Own Deposits and Investments	Deposits and Investments held by the City as Custodian for Other Local Governments, Individuals, or Private Organizations	Total
Bank Deposits	1,693,497	175,836	1,869,333
Local Government Investment Pool	4,002,039	0.00	4,002,039
Total	5,695,536	175,836	5,871,372

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 5 – Retirement of Certain Assets

The City has six wells requiring capping in the future. Due to the inability to estimate the dates and cost of the decommissioning of the wells, the City cannot estimate the related liability.

The City has a water treatment plant, and a sewage treatment plant requiring decommissioning in the future. Due to inability to estimate the dates and cost of the decommissioning of the plants, the City cannot estimate the related liability.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Note 6 – Interfund Loans

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Balance 1/1/2021	New Loans	Repayments	Balance 12/31/2021	Foot Note
DOT Spoil Site (original amount \$140,000)	Swimming Pool Construction	\$23,250	\$0	\$7,750	\$15,500	a.
Total Interfund Loans		\$23,250	\$0	\$7,750	\$15,500	

- a. Initial terms were a one-year loan, with an interest rate of 1.8% beginning February 1, 2010. Purpose of the loan was to provide equity for the DOT Spoil Site Fund to allow for reimbursable grant funded projects to proceed. Sale of dredge spoil material, which is the primary revenue source for this fund was suspended until resolution of the State/City land swap for the west side of the Cowlitz River. Loan repayments resumed with the sales of material in 2019. Additional amount of \$16,000 borrowed in 2018 to assist with general expenses until land swap complete. Total loan balance, with an interest rate of 2.2% begins 12/18/18, payable within five years.

Note 7 – Joint Ventures, Component Unit(s), and Related Parties

1. Regional Utility System Agreement

As of an agreement dated March 31, 1976, the City of Castle Rock and Cowlitz County operate jointly, the Regional Water System. The Regional Water System provides water service to the City of Castle Rock and to outlying areas within the County. On December 22, 1999, a new agreement was signed between Cowlitz County and the City, which formed a Castle Rock/Toutle Regional Utility System (RUS). This agreement included provisions for the operation, construction and maintenance of both the Wastewater Treatment Plant and the Water Treatment Plant facilities and included definition of the service area and financial obligation to both the City and County entities. The RUS Board of Directors consists of two members from both the City and County and those members select the fifth member of the board. The RUS board members meet at least annually to review the budget and evaluate budgetary funding contributions for both entities. In December 2009, the City acquired the water and sewer infrastructure and customers located on the 'Westside' of the Cowlitz River, from Cowlitz County. As a result, Cowlitz County no longer has any customers where sewer service is provided.

The City of Castle Rock Public Works Department is responsible for the daily operation of the regional water treatment plant and the Finance Office is responsible for the maintenance of budgetary issues. Financial information is recorded in the City's Fund No. 410, Regional Water System Fund, and is included in this report. All real or personal property acquired by the entities prior to this agreement remains in the ownership of the jurisdiction in which the property is located.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

2. Voter Approved Swimming Pool Construction Funds

In 1986, voters approved a bond measure for issuing \$100,000 of general obligation bonds to be used, along with private trust fund monies, for the purpose of constructing a new municipal swimming pool facility. Both the bond principal and interest were paid out of annual levies in excess of regular property taxes maturing within a maximum term of two years. The general obligation bonds were paid off in 1989, however, the City was unable to construct the swimming pool facility before the private trust fund expired.

The City brought this issue before the voters in February 1994 for the purpose of reassigning this money to be used for reconstruction of arterial streets, with the capability of using these monies as matching funds for any future state or federal grants for the construction, remodel or improvement of arterial street projects. Unfortunately, this issue was defeated by a wide margin. The City Council then requested Cowlitz County Auditor and Cowlitz County Treasurer to advise of the feasibility of returning the monies to the tax payers. Cowlitz County determined that manpower costs will exceed any feasibility of returning the monies to the tax payers.

In 1995, public hearings were scheduled and an informal survey held to ascertain if the citizens wanted the \$100,000 returned to the tax payers, or if they wished to have it retained for its original intended use. Citizens participating in the public hearings advised the Council to retain the money for its intended use.

See Note 6 – *Interfund Loans*, outlining repayment obligations to this fund.

3. Castle Rock Chamber of Commerce – Management of Visitor Center

August 13, 2018, Castle Rock City Council entered into a professional services agreement with the Castle Rock Chamber of Commerce for the management of the Visitor Center. The Big Idea Funds received from the County in the amount of \$26,134 were transferred to the Chamber, in addition to \$8,866 from the sale of the exhibit hall building. These funds would cover wages for 2018. The agreement also provided for additional money from the sale of the exhibit hall in 2019, in the amount of \$15,000. In 2020, the Castle Rock Chamber of Commerce and Visitor Center will be responsible for raising the money needed to fully fund the position and operations of the Visitor Center. The City remains responsible for the facility's maintenance.

4. Formation of Transportation Benefit District

Castle Rock City Council formed the Castle Rock City Transportation Benefit District (CRTBD) in 2012 to provide adequate funding for ongoing transportation improvements that preserve, maintain and, as appropriate, construct or reconstruct the existing transportation infrastructure of the City, consistent with Chapter 36.73 RCW. In November 2012, voters approved an additional sales tax of 2/10th of 1% to fund the CRTBD. Proceeds from that sales tax were not received until 2013. In addition, the City entered into an Interlocal Agreement with the CRTBD Board to provide staffing and related support including, but not limited to, legal, financial, planning and engineering services. Ownership of the infrastructure preserved and maintained by CRTBD funds are and shall remain the property of the City of Castle Rock. No joint ventures are included in this agreement.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

5. Cowlitz County / City of Castle Rock Interlocal Cooperation Act

In 2016, the City entered into an Interlocal Agreement with Cowlitz County, pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW, to provide administrative or engineering services, construction and maintenance services as requested by the respective agency for a maximum dollar amount for the services not to exceed \$75,000 per calendar year.

Note 8 – 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 loans are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	371,241.18	184,159.59	555,400.77
2023	380,502.89	174,308.78	554,809.67
2024	376,255.33	164,187.30	540,442.63
2025	370,724.72	154,220.78	524,945.50
2026	342,691.28	144,961.54	487,652.82
2027-2031	1,344,657.21	598,397.36	1,943,054.57
2032-2036	1,090,471.45	384,431.03	1,474,902.48
2037-2041	677,051.91	219,928.09	896,980.00
2042-2046	586,515.92	59,934.35	646,450.27
2047-2051	32,790.84	1,724.95	34,515.78
Totals	<u>\$5,572,902.72</u>	<u>\$2,086,251.77</u>	<u>\$7,659,154.49</u>

Note 9 – Other Disclosures

1. Issuance of New Debt

August 24, 2020, Castle Rock City Council approved a Heritage Bank (revenue bond) loan in the amount of \$1,300,000 for the Water and Sewer Main Project under the SR411 Bridge. Construction will coincide with the Washington State Department of Transportation's bridge re-decking project. Financing closed in early 2021. Construction is anticipated to begin in the fall of 2022. Term of loan is 14 years at 2.97%.

2. Adopted Appropriations Exceeded

Street Fund ending fund balance as of December 31, 2021 denoted a deficit of \$9,691.70. The deficit is due to contracted repairs and maintenance and is offset by reserves and an insurance loss control grant.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Local Criminal Justice Fund ending fund balance as of December 31, 2021 denoted a deficit of \$1,570.18. The deficit is due to the purchase of ballistics for a police officer and is offset by the Local Criminal Justice Tax revenue.

Regional Water Capital Improvements Fund ending fund balance as of December 31, 2021 denoted a deficit of \$3,543.39. The deficit is due to a telemetry upgrade completed at year-end. The expenditure is offset by reserves.

3. Subsequent Events

In July of 2021, the City was awarded a Community Economic Revitalization Board ("CERB") grant in the amount of \$500,000 and loan in the amount of \$1,500,000 to fund the Exit 48 Water main Extension Project. Financing is expected to close in 2022. This project is currently in the planning stage and is anticipated to begin construction in 2022.

4. Construction Commitment

The City has active construction projects as of December 31, 2021. The projects include:

Funding Note	Project Title	Funding	Spent to Date	Remaining Commitment
a.	Six Rivers Regional Trail System (Exit 49 Phase 3 Planning/Design)	\$367,750	\$93,082	\$274,668
b.	Complete Streets (ADA Ramps/RFT Phase 3)	\$200,000	\$200,000	\$0
c.	Boat Launch Safety Improvement – Design	\$212,000	\$178,850	\$33,150

Funding Notes:

- a. Six Rivers Regional Trail System (Exit 49 Phase 3 Planning/Design): Funding includes WSDOT Transportation Alternative Grant \$299,750, and Cowlitz County Trail \$68,000. The planning section of this project is to connect the northern end to the southern end of Cowlitz County through a system of trails and streets to be used by pedestrians and bicycles. Design funds will be used for improvements on the I-5 Exit 49 overpass and an analysis of safety improvements. The construction has gone out for bid. Project completion is anticipated by August 2022.
- b. Complete Streets (ADA Ramps/RFT Phase 3): Funding includes TIB grant \$200,000. Funds safety improvements for pedestrians and bicycles on SR411 to I-5 interchange. Also connects path to the existing trail system. An estimated 27 ADA ramps within city limits needing to be updated to meet current ADA requirements and replacement of 80' of sidewalk along Cowlitz St E are also funded with this grant. Project completed in March 2022.
- c. Boat Launch Safety Improvement – Design: Funding includes Recreation and Conservation Office \$123,000, Cowlitz County Rural Development \$42,000, for the design of river current calming structures. Design phase is expected to be completed in 2022.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Secured 75% of the construction funding needed in 2019. Project completion is anticipated by December 2023.

- d. SR411 Water Replacement and Sewer Main Repair Project. Project coincides with the state of Washington's re-decking project of the SR411 bridge over the Cowlitz River. It is expected to go to bid in June 2022.

Note 10 – Other Postemployment Benefits

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26.150. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. At the beginning of the year, the plan had one active member, a retiree, however as of December 31, 2021, the plan no longer had any active members. As of December 31, 2021, the City's total OPEB liability decreased to \$0. For the year ended December 31, 2021, the City paid \$16,579 in benefits.

Note 11 – 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, PERS 2, PERS 3 and LEOFF 2.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

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

Also, the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at www.drs.wa.gov.

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington Comprehensive Annual Financial Report available from the Office of Financial Management website at www.ofm.wa.gov.

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

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	\$35,217	0.004728%	\$57,740
PERS 2/3	\$57,483	0.006068%	\$(604,470)
LEOFF 1	\$0	0.002970%	\$(101,739)
LEOFF 2	\$24,088	0.012083%	\$(701,831)
VFFRPF	\$180	0.090000%	\$(20,362)

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is 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.

B. Defined Contribution Pension Plan

- Western Conference of Teamsters Pension Plan
 - i. Plan Administrator: Office of the Chairman, 1300 114th Ave SE, Suite 130, Bellevue, WA, 98004-6928
 - ii. Three-Digit Plan Number: 001
 - iii. Plan's E.I.N.: 91-6145047
 - iv. Certified Zone Status: Green Zone
 - v. Funded Status: 98.1% as of 1/1/2022
 - vi. Funding Improvement Plan: Not Applicable
 - vii. Surcharge: Not Applicable
 - viii. Employer Contributions: \$5,383

City of Castle Rock
Notes to Financial Statements
January 1, 2021 through December 31, 2021

ix. Employee Contributions: \$0

Note 12 – 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 2021 was \$1.9746582751 per \$1,000 on an assessed valuation of \$203,966,937 for a total regular levy of \$402,765.

In 2020, voters did not approve an excess levy to be assessed in 2021 for the purpose of supporting library services.

Note 13 – Risk Management

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

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

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured

City of Castle Rock

Notes to Financial Statements

January 1, 2021 through December 31, 2021

Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

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

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

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	USDA RD Limited Tax, 2015	9/25/2035	229,877	-	15,105	214,772
263.96	State of WA; LOCAL Program #2	12/1/2023	25,802	-	12,578	13,224
263.96	State of WA; LOCAL Program #3	12/1/2024	40,648	-	12,894	27,754
263.96	State of WA; LOCAL Program #4	12/1/2026	33,744	-	6,091	27,653
263.85	Cowlitz County Rural Facilities Loan 2	11/30/2028	93,660	-	12,790	80,870
263.56	Niel Keatley - Lease	10/31/2060	-	7,800	200	7,600
263.56	Pitney Bowes - Lease	12/29/2023	-	2,468	1,333	1,135
263.56	Ricoh - Lease - Finance	12/31/2023	-	4,785	2,392	2,393
263.56	Ricoh - Lease - Police	5/12/2024	-	4,591	1,900	2,691
Total General Obligation Debt/Liabilities:			423,731	19,644	65,283	378,092
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	USDA RDA Revenue Bond, 2009	1/1/2049	245,730	-	5,446	240,284
252.11	USDA RDA Revenue Bond, 2015, Series B	9/25/2035	166,082	-	9,877	156,205
252.11	USDA RDA Revenue Bond, 2005, Series B	1/1/2045	510,957	-	12,613	498,344
252.11	USDA RDA Revenue Bond, 2015, Series A	9/25/2035	78,050	-	40,386	37,664
252.11	USDA RDA Revenue Bond, 2005, Series A	1/1/2045	1,872,235	-	46,212	1,826,023
252.11	Heritage Bank Revenue Bond, 2021	6/1/2035	1,266,000	-	73,500	1,192,500
263.57	Ricoh - Lease - Public Works	1/31/2025	-	1,489	714	775
263.88	PWB Loan PW-05-691-008	7/1/2025	96,525	-	24,132	72,393
263.88	PWB Loan PC-13-961-041	6/1/2032	267,008	-	24,274	242,734
263.84	DWSRF Loan 06-96300-003	10/1/2027	573,683	-	95,614	478,069
263.92	Rural Community Assistance Corp 6218-CCR-01A	12/31/2025	72,920	-	15,456	57,464
259.12	Vacation Accrual Liability		92,872	109,267	104,452	97,687
259.12	Compensatory Accrual Liability		16,436	23,454	18,624	21,266
259.12	Sick Leave Accrual Liability		176,656	90,415	40,387	226,684
264.30	Net Pension Liabilities		57,740	82,202	-	139,942
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,492,894	306,827	511,687	5,288,034
Total Liabilities:			5,916,625	326,471	576,970	5,666,126

City of Castle Rock
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	USDA RD Limited Tax, 2015	9/25/2035	244,467	-	14,590	229,877
263.96	State of WA; LOCAL Program #2	12/1/2023	37,767	-	11,965	25,802
263.96	State of WA; LOCAL Program #3	12/1/2024	52,928	-	12,280	40,648
263.96	State of WA; LOCAL Program #4	12/1/2026	-	33,744	-	33,744
263.85	Cowlitz County Rural Facilities Loan 2	11/30/2028	106,261	-	12,601	93,660
Total General Obligation Debt/Liabilities:			441,423	33,744	51,436	423,731
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	USDA RD Revenue Bond, 2009	1/1/2049	250,990	-	5,260	245,730
252.11	USDA RD Revenue Bond, 2015, Series B	9/25/2035	175,693	-	9,611	166,082
252.11	USDA RD Revenue Bond, 2005, Series B	1/1/2045	523,021	-	12,064	510,957
252.11	USDA RD Revenue Bond, 2015, Series A	9/25/2035	82,569	-	4,519	78,050
252.11	USDA RD Revenue Bond, 2005, Series A	1/1/2045	1,916,435	-	44,200	1,872,235
252.11	Heritage Bank Revenue Bond, 2021	6/1/2035	-	1,300,000	34,000	1,266,000
263.88	PWB Loan PW-05-691-008	7/1/2025	120,656	-	24,132	96,524
263.88	PWTF Loan PW-01-691-010	7/1/2021	69,633	-	69,633	-
263.88	PWB Loan PC-13-961-041	6/1/2032	291,282	-	24,274	267,008
263.84	DWSRF Loan 06-96300-003	10/1/2027	669,297	-	95,614	573,683
263.92	Rural Community Assistance Corp 6218-CCR-01A	12/31/2025	87,624	-	14,704	72,920
259.12	Vacation Accrual Liability		71,311	95,098	73,537	92,872
259.12	Compensatory Accrual Liability		9,904	27,915	21,383	16,436
259.12	Sick Leave Accrual Liability		149,449	86,304	59,097	176,656
264.30	Net Pension Liabilities		248,203	-	190,463	57,740
264.40	OPEB Liability		575,656	-	575,656	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,241,723	1,509,317	1,258,147	5,492,893
Total Liabilities:			5,683,146	1,543,061	1,309,583	5,916,624

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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