



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Town of La Conner

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

*Published February 1, 2024*

Report No. 1034102



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

February 1, 2024

Council  
Town of La Conner  
La Conner, Washington

**Report on Financial Statements**

Please find attached our report on the Town of La Conner's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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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*

#### **Town of La Conner January 1, 2021 through December 31, 2022**

Council  
Town of La Conner  
La Conner, 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 Town of La Conner, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated January 26, 2024.

We issued an unmodified opinion on the fair presentation of the Town'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 Town 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 Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

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

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

Pat McCarthy, State Auditor

Olympia, WA

January 26, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Town of La Conner January 1, 2021 through December 31, 2022**

Council  
Town of La Conner  
La Conner, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Town of La Conner, 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 Town 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 Town of La Conner, 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 Town of La Conner, 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 Town, 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 Town 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 Town'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 Town'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 Town'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 Town'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 January 26, 2024 on our consideration of the Town'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 Town'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 Town's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 26, 2024

## **FINANCIAL SECTION**

### **Town of La Conner 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  
Notes to Financial Statements – 2021

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2022  
Schedule of Liabilities – 2021

**Town of La Conner**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Total for All Funds (Memo Only)</b>	<b>001 GENERAL FUND</b>	<b>123 HOTEL MOTEL FUND</b>	<b>212 2014 LTGO Bond - Fire Truck</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	5,598,726	1,974,117	224,180	85,443
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,806,752	1,398,560	196,404	67,311
320	Licenses and Permits	65,977	65,977	-	-
330	Intergovernmental Revenues	251,514	251,514	-	-
340	Charges for Goods and Services	3,587,961	48,969	-	-
350	Fines and Penalties	845	845	-	-
360	Miscellaneous Revenues	175,353	161,534	347	765
Total Revenues:		5,888,402	1,927,399	196,751	68,076
<b>Expenditures</b>					
510	General Government	265,515	264,439	332	-
520	Public Safety	562,648	562,648	-	-
530	Utilities	1,602,619	-	-	-
540	Transportation	243,213	243,213	-	-
550	Natural/Economic Environment	988,827	176,491	-	-
560	Social Services	2,009	2,009	-	-
570	Culture and Recreation	421,397	323,331	98,066	-
Total Expenditures:		4,086,228	1,572,131	98,398	-
Excess (Deficiency) Revenues over Expenditures:		1,802,174	355,268	98,353	68,076
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	35,702	35,702	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	24,930	24,430	-	-
Total Other Increases in Fund Resources:		60,632	60,132	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	673,127	136,628	-	-
591-593, 599	Debt Service	258,943	1,975	-	144,588
597	Transfers-Out	35,702	-	35,702	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	21,109	20,609	-	-
Total Other Decreases in Fund Resources:		988,881	159,212	35,702	144,588
<b>Increase (Decrease) in Cash and Investments:</b>		<b>873,925</b>	<b>256,188</b>	<b>62,651</b>	<b>(76,512)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	953,267	278,893	286,832	-
50841	Committed	5,519,381	1,951,408	-	8,932
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>6,472,648</b>	<b>2,230,301</b>	<b>286,832</b>	<b>8,932</b>

The accompanying notes are an integral part of this statement.

**Town of La Conner**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>214 2017 LTGO Bond - Fire Hall</b>	<b>303 FLOOD CONTROL</b>	<b>304 REET 1</b>	<b>305 REET 2</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	25,837	163,366	150,812	148,113
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	52,869	-	44,230	44,230
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	75	257	319	335
Total Revenues:		52,944	257	44,549	44,565
<b>Expenditures</b>					
510	General Government	-	248	248	248
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	248	248	248
Excess (Deficiency) Revenues over Expenditures:		52,944	9	44,301	44,317
<b>Other Increases in Fund Resources</b>					
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:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	39,125	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		39,125	-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>13,819</b>	<b>9</b>	<b>44,301</b>	<b>44,317</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	195,112	192,430
50841	Committed	39,655	163,375	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>39,655</b>	<b>163,375</b>	<b>195,112</b>	<b>192,430</b>

The accompanying notes are an integral part of this statement.

**Town of La Conner**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>401 WATER FUND</b>	<b>403 DRAINAGE FUND</b>	<b>409 SEWER FUND</b>
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	898,913	427,591	1,500,354
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	3,148
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	1,215,897	357,962	1,965,133
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	4,142	1,702	5,877
Total Revenues:		1,220,039	359,664	1,974,158
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	790,847	166,527	645,245
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	812,336
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		790,847	166,527	1,457,581
Excess (Deficiency) Revenues over Expenditures:		429,192	193,137	516,577
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	500	-	-
Total Other Increases in Fund Resources:		500	-	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	49,747	184,684	302,068
591-593, 599	Debt Service	72,137	389	729
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	500	-	-
Total Other Decreases in Fund Resources:		122,384	185,073	302,797
<b>Increase (Decrease) in Cash and Investments:</b>		<b>307,308</b>	<b>8,064</b>	<b>213,780</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	1,206,223	435,655	1,714,133
50851	Assigned	-	-	-
50891	Unassigned	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,206,223</b>	<b>435,655</b>	<b>1,714,133</b>

The accompanying notes are an integral part of this statement.

**Town of La Conner**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 GENERAL FUND</b>	<b>123 HOTEL MOTEL FUND</b>	<b>212 2014 LTGO Bond - Fire Truck</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	4,033,235	1,475,746	142,638	63,019
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,705,723	1,312,820	175,000	62,589
320	Licenses and Permits	53,510	53,510	-	-
330	Intergovernmental Revenues	755,645	755,645	-	-
340	Charges for Goods and Services	3,256,864	37,943	-	-
350	Fines and Penalties	50	50	-	-
360	Miscellaneous Revenues	145,643	139,809	164	280
Total Revenues:		5,917,435	2,299,777	175,164	62,869
<b>Expenditures</b>					
510	General Government	251,180	250,548	158	-
520	Public Safety	475,623	475,623	-	-
530	Utilities	1,509,497	-	-	-
540	Transportation	238,822	238,822	-	-
550	Natural/Economic Environment	1,317,356	668,910	-	-
560	Social Services	2,011	2,011	-	-
570	Culture and Recreation	330,098	287,636	42,462	-
Total Expenditures:		4,124,587	1,923,550	42,620	-
Excess (Deficiency) Revenues over Expenditures:		1,792,848	376,227	132,544	62,869
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	51,000	51,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	157,286	156,886	-	-
Total Other Increases in Fund Resources:		208,286	207,886	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	220,707	73,391	-	-
591-593, 599	Debt Service	151,079	-	-	40,445
597	Transfers-Out	51,000	-	51,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	12,872	12,372	-	-
Total Other Decreases in Fund Resources:		435,658	85,763	51,000	40,445
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,565,476</b>	<b>498,350</b>	<b>81,544</b>	<b>22,424</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	668,783	145,678	224,180	-
50841	Committed	4,929,943	1,828,439	-	85,443
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>5,598,726</b>	<b>1,974,117</b>	<b>224,180</b>	<b>85,443</b>

The accompanying notes are an integral part of this statement.

**Town of La Conner**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>214 2017 LTGO Bond - Fire Hall</b>	<b>303 FLOOD CONTROL</b>	<b>304 REET 1</b>	<b>305 REET 2</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	15,753	177,341	98,999	96,292
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	49,174	-	51,821	51,821
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	35	121	150	158
Total Revenues:		49,209	121	51,971	51,979
<b>Expenditures</b>					
510	General Government	-	158	158	158
520	Public Safety	-	-	-	-
530	Utilities	-	13,938	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	14,096	158	158
Excess (Deficiency) Revenues over Expenditures:		49,209	(13,975)	51,813	51,821
<b>Other Increases in Fund Resources</b>					
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:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	39,125	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		39,125	-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>10,084</b>	<b>(13,975)</b>	<b>51,813</b>	<b>51,821</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	150,812	148,113
50841	Committed	25,837	163,366	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>25,837</b>	<b>163,366</b>	<b>150,812</b>	<b>148,113</b>

The accompanying notes are an integral part of this statement.



**Town of La Conner**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>401 WATER FUND</b>	<b>403 DRAINAGE FUND</b>	<b>409 SEWER FUND</b>
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	739,182	272,089	952,176
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	2,498
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	1,091,544	331,936	1,795,441
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	2,069	791	2,066
Total Revenues:		1,093,613	332,727	1,800,005
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	814,402	149,045	532,112
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	648,446
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		814,402	149,045	1,180,558
Excess (Deficiency) Revenues over Expenditures:		279,211	183,682	619,447
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	400	-	-
Total Other Increases in Fund Resources:		400	-	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	47,870	28,179	71,267
591-593, 599	Debt Service	71,509	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	500	-	-
Total Other Decreases in Fund Resources:		119,879	28,179	71,267
<b>Increase (Decrease) in Cash and Investments:</b>		<b>159,732</b>	<b>155,503</b>	<b>548,180</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	898,913	427,591	1,500,354
50851	Assigned	-	-	-
50891	Unassigned	-	-	-
<b>Total Ending Cash and Investments</b>		<b>898,913</b>	<b>427,591</b>	<b>1,500,354</b>

The accompanying notes are an integral part of this statement.

**Town of La Conner**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<u>Custodial</u>
308	Beginning Cash and Investments	2,568
388 & 588	Net Adjustments	-
310-390	Additions	57,518
510-590	Deductions	57,518
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	2,568

*The accompanying notes are an integral part of this statement.*

**Town of La Conner**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<u>Custodial</u>
308	Beginning Cash and Investments	2,568
388 & 588	Net Adjustments	-
310-390	Additions	50,982
510-590	Deductions	50,982
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	2,568

*The accompanying notes are an integral part of this statement.*

**TOWN OF LA CONNER**  
Skagit County  
Notes to Financial Statements  
For the year ending December 31, 2022

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of La Conner was incorporated on May 14, 1890 and operates under the laws of the state of Washington applicable to a municipality. The Town of La Conner is a general purpose local government and provides public safety, fire prevention, street improvement, parks and recreation and general administrative services. In addition, the Town of La Conner owns and operates a water system, sewer system and storm drainage system.

The Town of La Conner 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:

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- Component units are required to be disclosed, but are not included in the financial statements (see *Notes to the Financial Statements*).
- Government-wide statements, as defined in GAAP, are not presented.
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- 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.

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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.

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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. The Sewer Fund 409 and Compost Fund 412 are rolled up for reporting purposes.

#### **FIDUCIARY FUND TYPES:**

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

##### Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

#### **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 Town of La Conner 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 \$10,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

#### **E. Compensated Absences**

Vacation leave may be accumulated up to the number of hours an employee accrues each year and is payable upon separation or retirement. Sick leave may be accumulated 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

#### **F. Long-Term Debt**

See Note 4 – *Long Term Debt (Formerly Debt Service Requirements)*.

### 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 Council. When expenditures that meet restrictions are incurred, the Town of La Conner intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of REET 1 \$195,112, REET 2 \$192,430, Hotel Motel \$286,832 and 002/Waterfront & Jordan Park Donations \$13,722.

001Reserve/Coronavirus funds Grant \$265,171. Committed Ending Cash and Investments for the remainder funds is \$5,521,949.

### **Note 2 - Budget Compliance**

The Town of La Conner adopts annual appropriated budgets for general, special revenue, capital projects and enterprise 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<b>General Fund:</b>			
General Operating	\$1,260,933	\$1,163,855	\$97,078
Park & Port Fund	\$306,059	\$203,564	\$102,495
Facilities Fund	\$192,301	\$152,863	\$39,438
Public Art Fund	\$1400	\$1350	\$50
Street Fund	\$293,496	\$249,709	\$43,787
<b>Total General Fund</b>	<b>\$2,054,189</b>	<b>\$1,771,341</b>	<b>\$282,848</b>
Hotel Motel Fund	\$183,450	\$134,100	\$49,350
2014 LTGO Bond	\$142,644	\$144,588	(\$1944)
2017 LTGO Bond	\$39,625	\$39,125	\$500
Flood Fund	\$0	\$248	(\$248)
REET 1 Fund	\$250	\$248	\$2.00
REET 2 Fund	\$250	\$248	\$2.00
Water Fund	\$1,065,376	\$913,229	\$152,148
Drainage Fund	\$468,873	\$351,600	\$117,273
Sewer Fund	\$953,921	\$698,437	\$255,484
Sewer Compost Fund	\$1,148,607	\$1,061,941	\$86,667
<b>Total Sewer Fund</b>	<b>\$2,102,528</b>	<b>\$1,760,378</b>	<b>\$342,151</b>

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 Town of La Conner's legislative body. Variances for 2022 were larger due to

cutbacks to accommodate the delays or higher costs of materials for projects. Variances that exceeded the budget were the Fire Truck Bond of 2014 that the Town Paid in full with unexpected costs in the end and the Flood fund due to an oversight of costs from the Audit charges not budgeted for in 2022.

### **Note 3 – Deposits and Investments**

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

<b>Type of deposit or investment</b>	<b>Town of La Conner's own deposits and investments</b>	<b>Deposits and investments held by the County as custodian for other local governments, individuals, or private organizations</b>	<b>Total</b>
<b>Washington Federal Checking Acct.</b>	\$4,847,317.72	\$0	\$4,847,317.72
<b>Washington Federal Savings Acct.</b>	\$933,013.17	\$0	\$933,013.17
<b>Certificates of deposit (CD/Investments)</b>	\$892,528.95	\$0	\$892,528.95
<b>Local Government Investment Pool</b>	\$59,507.38	\$0	\$59,507.38
<b>Total</b>	<b>\$6,732,367.22</b>	<b>\$0</b>	<b>\$6,732,367.22</b>

It is the Town of La Conner'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 Town of La Conner 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](http://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 Town of La Conner 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 Town of La Conner 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 Town of La Conner or its agent in the government's name.

**Note 4 – Long Term Debt (Formerly Debt Service Requirements).**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Town of La Conner and summarizes the Town of La Conner's debt transactions for year ended December 31, 2022.

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

Year	Principal	Interest	Total
2022	\$203,585	\$51,235	\$254,820
2023	\$66,137	\$45,214	\$111,351
2024	\$67,735	\$43,342	\$111,077
2025	\$69,386	\$41,317	\$110,703
2026	\$72,089	\$39,147	\$111,236
2027 - 2031	\$395,946	\$157,933	\$553,879
2032-2036	\$474,226	\$80,441	\$554,667
2037- 2038	\$140,689	\$5,533	\$146,222
<b>Total</b>	<b>\$1,489,793</b>	<b>\$464,162</b>	<b>\$1,953,955</b>

**Note 5 – Pension Plans****A. State Sponsored Pension Plans**

Substantially all Town of La Conner 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 I, PERS II and PERS III).

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](http://www.drs.wa.gov).

The Town of La Conner 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](http://www.ofm.wa.gov).

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



Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1/ UAAL	20,680	0.003374%	93,945
PERS 2/3	35,452	0.004413%	(163,669)
VFFRPF	660	0.35%	(98,108)

The Town of La Conner does not participate in LEOFF Plan 1 or Plan 2.

### **Note 6 - Property Tax**

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

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

The Town of La Conner's regular levy for the year 2021 was \$1.71225 per \$1,000 on an assessed valuation of \$197,558,942 for a total regular levy of 338,269.

### **Note 7 – Leases**

During the year ended 2022, the Town of La Conner 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 Town of La Conner leases a copier from Canon Financial for \$173.81 per month. The five year lease agreement beginning January of 2021 is non-cancelable and holds the Town liable for debt and other penalties.

The Town of La Conner also leases a postage meter from Pitney Bowes with a payment of \$455.73 paid quarterly. The five year lease agreement beginning August of 2022 cannot be canceled for any reason with all obligations unconditional, except under No. 8 Non-Appropriation.

The total amount paid for leases in 2022 was \$2,541. As of December 31, 2022, the future lease payments are as follows:

Year ended December 31	Total
2023	3,909
2024	3,909
2025	3,909
2026	1823
2027	1367

## **Note 8 – Risk Management**

### **Property & Casualty Risk Pool**

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

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

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

The Town of La Conner purchases a commercial insurance policy from Wycoff Insurance, for the Public Works Maintenance Shop located at 603 N. Third Street in La Conner.

### **Health & Welfare Risk Pool**

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

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

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

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

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

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

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

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with

under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date.

When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

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

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

## **Note 9 – Other Miscellaneous Disclosures**

1) The citizens of La Conner have been fund raising for the Waterfront Park since 2016. These funds are held in reserve in the Parks fund for ongoing expenditures. The Waterfront Park project was completed in 2020, leaving \$12,000 in reserve dedicated to the Gazebo scheduled to be built in 2021. However due to the difficulty of obtaining the materials and increased costs to build the Gazebo, it has rolled over to 2023 with a balance of \$12,257. There is also a balance of \$965 for the Jordan Street Park from donations with a total reserve of \$13,222 for Parks.

2) The 2014 LTGO Bond for the fire truck scheduled to be paid off in 2025, was paid in full in 2022 due to enough funds to cover it (Fund 212). This bond was paid for by the Public Safety Tax, which will be used for future fire apparatuses. Currently the balance of \$8,932 is still in Fund 212 because of discussions of purchasing a Fire Boat.

3) In 2022 The Town of La Conner received funds from the Coronavirus Grant in the amount of \$132,586. The expense of the restrictive funds has not been allocated or spent and has a balance of \$265,171. It is currently identified in the General Fund reserve under Unassigned Revenue.

### Variances in the Treasurer Distributions:

- Local Retail Sales and Use Tax overage is from the monthly State Sales Tax Interest in the amount of \$755.31 and \$3147.84 for the Compost Sales Tax for a total of \$3903.
- The Special Purpose Tax difference in the amount of \$57,518 is the Towns portion for the County Jail Tax from the State Remittance. It is a pass through that is forwarded on to the County monthly.

- The Hotel Motel Tax negative balance is due to the Town receipting the Lodging of \$98,202.40 and Stadium of \$98,202.39 on separate line items. The total of both equals the State amount of \$196,405.
- In 2022 The Town was merged with the State for Business Licenses. The overage balance of \$1574 resulted from \$1179 payments received at Town Hall due to wrong classifications chosen on the DOR website, \$665 receipted to permits and license fees of \$270 receipted to parking fees attached to business licenses.

The Town of La Conner had construction projects as of December 31, 2022. The Projects include:

1. 2021 Waterfront Park Gazebo was budgeted in 2022, but rolled over to 2023.
2. The Sixth Street Pump Project was completed in 2022.

**TOWN OF LA CONNER**  
Skagit County  
Notes to Financial Statements  
For the year ending December 31, 2021

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These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

### **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 Town of La Conner 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 \$10,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

### **E. Compensated Absences**

Vacation leave may be accumulated up to the number of hours an employee accrues each year and is payable upon separation or retirement. Sick leave may be accumulated 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

### **F. Long-Term Debt**

See Note 5 – *Long Term Debt (Formerly Debt Service Requirements)*.

### **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 Council. When expenditures that meet restrictions are incurred, the Town of La Conner intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of REET 1 \$150,812, REET 2 \$148,113, Hotel Motel \$224,180 and 002/Waterfront & Jordan Park Donations \$13,222 and 001 Coronavirus Grant \$132,456. Committed Ending Cash and Investments for the remainder funds is \$4,932,511.

### **Note 2 - Budget Compliance**

The Town of La Conner adopts annual appropriated budgets for general, special revenue, capital projects and enterprise funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budgets are 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<b>General Fund:</b>			
General Operating	\$1,564,343	\$1,451,178.94	\$113,164.06
Park & Port Fund	\$301,373	\$159,042.12	\$142,330.88
Facilities Fund	\$179,130	\$135,473.92	\$43,656.08
Public Art Fund	\$18,943	\$18,648.37	\$294.63
Street Fund	\$259,703	\$244,948.09	\$14,754.91
<b>Total General Fund</b>	<b>\$2,323,492</b>	<b>\$2,009,291.44</b>	<b>\$314,200.56</b>
Hotel Motel Fund	\$115,250	\$93,620.79	\$21,629.21
2014 LTGO Bond	\$40,695	\$40,445	\$250
2017 LTGO Bond	\$39,675.20	\$39,125.20	\$550
Flood Fund	\$15,438	\$14,095.98	\$1,342.02
REET 1 Fund	\$438	\$158.48	\$279.52
REET 2 Fund	\$438	\$158.48	\$279.52
Water Fund	\$1,077,699.25	\$934,279.89	\$143,419.36
Drainage Fund	\$313,531	\$177,223.79	\$136,307.21
Sewer Fund	\$771,746	\$594,140.81	\$177,605.19
Sewer Compost Fund	\$706,509	\$657,685.55	\$48,823.45
<b>Total Sewer Fund</b>	<b>\$1,478,255</b>	<b>\$1,251,826.36</b>	<b>\$226,428.64</b>

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 Town of La Conner's legislative body. Variances for 2021 were larger due to cutbacks to accommodate the Pandemic and delays of materials for projects.

### 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.

The Town of La Conner Town Hall remained open and fully staffed through 2021, with proactive implemented safety measures to protect our employees. To date, the Town has not experienced any direct financial impacts due to the pandemic.

### 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	Town of La Conner's own deposits and investments	Deposits and investments held by the County as custodian for other local governments, individuals, or private organizations	Total
<b>Washington Federal Checking Acct.</b>	\$3,919,792.05	\$0	\$3,919,792.05
<b>Washington Federal Savings Acct.</b>	\$923,274.76	\$0	\$923,274.76
<b>Certificates of deposit (CD/Investments)</b>	\$897,406.31	\$0	\$897,406.31
<b>Local Government Investment Pool</b>	\$58,525.40	\$0	\$58,525.40
<b>Total</b>	\$5,798,998.52	\$0	\$5,798,998.52

It is the Town of La Conner'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 Town of La Conner 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](http://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 Town of La Conner 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 Town of La Conner 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 Town of La Conner or its agent in the government's name.

#### **Note 5 – Long Term Debt (Formerly Debt Service Requirements).**

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

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

Year	Principal	Interest	Total
2021	\$97,080	\$53,699	\$150,779
2022	\$98,585	\$51,235	\$149,820
2023	\$101,137	\$48,539	\$149,676
2024	\$102,735	\$45,617	\$148,352
2025	\$104,386	\$42,489	\$146,875
2026 - 2030	\$383,585	\$171,032	\$554,617
2031-2035	\$456,356	\$97,658	\$554,014
2036- 2038	\$243,009	\$14,364	\$257,373
<b>Total</b>	<b>\$1,586,873</b>	<b>\$524,633</b>	<b>\$2,111,506</b>

## **Note 6 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all Town of La Conner 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 I, PERS II and PERS III).

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

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

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

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The Town of La Conner 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](http://www.ofm.wa.gov).

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

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1/ UAAL	33,390	0.004483	54,748
PERS 2/3	54,579	0.005762	(573,988)
VFFRPF	540	0.28%	(61,087)

The Town of La Conner does not participate in LEOFF Plan 1 or Plan 2.

### **Note 7 - Property Tax**

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

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

The Town of La Conner's regular levy for the year 2021 was \$1.71225 per \$1,000 on an assessed valuation of \$197,558,942 for a total regular levy of 338,269.

## **Note 8 – Risk Management**

### **Property & Casualty Risk Pool**

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

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

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

The Town of La Conner purchases a commercial insurance policy from Wycoff Insurance, for the Public Works Maintenance Shop located at 603 N. Third Street in La Conner.

### **Health & Welfare Risk Pool**

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date.

When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

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

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

## **Note 9 – Other Disclosures**

The citizens of La Conner have been fund raising for the Waterfront Park since 2016. These funds are held in reserve in the Parks fund for ongoing expenditures. The Waterfront Park project was completed in 2020, leaving \$12,000 in reserve dedicated to the Gazebo scheduled to be built in 2021. However due to the difficulty of obtaining the materials to build the the Gazebo it has been budgeted for 2022 with a balance of \$12,257. There is also a balance of \$965 for the Jordan Street Park from donations.

Variances in the Treasurer Distributions:

- Local Retail Sales and Use Tax overage is from the Sales Tax Interest in the amount of \$410 and \$2498 for the Compost Sales Tax for a total of \$2908.
- The Special Purpose Tax difference in the amount of \$50,982 is the Towns portion for the County Jail Tax from the State Remittance. It is just a pass through that is forwarded on to the County monthly.
- The Hotel Motel Tax negative balance is due to the Town receipting the Lodging of \$87,467.71 and Stadium of \$87,532.35 on separate line items. The total of both equals the State amount of \$175,000.
- The 65.00 difference in the General Fund and the Drainage fund is a correction of a receipting error from 2020, done in 2021 after the annual reporting of 2020.

The Town of La Conner had active construction projects as of December 31, 2021. The Projects include:

1. 2021 Waterfront Park Gazebo was budgeted in 2021, but rolled over to 2022.
2. 2019 Maple Hall Elevator was completed in 2020. The retainage in the amount of \$7342 rolled over and paid in 2021.
3. 2019 Caledonia Pump Station Project was completed in 2021.
4. The Sixth Street Pump Project rolled over to 2022 due to the delay of the materials needed.

Other Miscellaneous Disclosures:

1. In 2021 The Town of La Conner received funds from the Cares Act Grant in the amount of \$132,585. The expense of the restrictive funds has not been allocated or spent and is identified in the General Fund Reserve as Unassigned Revenue.
2. The Town of La Conner purchased the Maple Ball Field from the Hedlin Family and sold the majority of it the same day to Land Gentry, maintaining a portion of it for a public park.
3. In 2021 the Town participated in obtaining an Economic Development Grant in the amount of \$500,000 from Skagit County, for the New La Conner Library. The Town's role was to collect and pay the expenses up to the grant allocation and submit it to Skagit County for reimbursement. Full reimbursement was completed in 2021.

**Town of La Conner  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	2013 LTGO Bond	12/1/2025	140,000	-	140,000	-
251.12	2017 LTGO Bond	12/1/2037	473,793	-	23,585	450,208
251.12	2018 LTGO Bond	12/1/2038	876,000	-	40,000	836,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,489,793</b>	<b>-</b>	<b>203,585</b>	<b>1,286,208</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absence		34,577	39,414	42,480	31,511
263.57	Canon Financial Copier	1/1/2026	8,343	-	2,086	6,257
263.57	Pitney Bowes Postage Meter	8/27/2027	-	9,115	456	8,659
264.30	Pension Liabilities		54,748	39,197	-	93,945
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>97,668</b>	<b>87,726</b>	<b>45,022</b>	<b>140,372</b>
<b>Total Liabilities:</b>			<b>1,587,461</b>	<b>87,726</b>	<b>248,607</b>	<b>1,426,580</b>

**Town of La Conner  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	2013 LTGO Bond	12/1/2025	175,000	-	35,000	140,000
251.11	2017 LTGO Bond	12/1/2037	496,873	-	23,080	473,793
251.11	2018 LTGO Bond	12/1/2038	915,000	-	39,000	876,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,586,873</b>	<b>-</b>	<b>97,080</b>	<b>1,489,793</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absence		36,524	32,881	34,828	34,577
264.30	Pension Liability		191,631	-	136,883	54,748
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>228,155</b>	<b>32,881</b>	<b>171,711</b>	<b>89,325</b>
<b>Total Liabilities:</b>			<b>1,815,028</b>	<b>32,881</b>	<b>268,791</b>	<b>1,579,118</b>

## 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.

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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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