



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Airway Heights

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

Published February 29, 2024

Report No. 1034345



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

February 29, 2024

Council
City of Airway Heights
Airway Heights, Washington

Report on Financial Statements

Please find attached our report on the City of Airway Heights 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 Airway Heights January 1, 2021 through December 31, 2021

Council
City of Airway Heights
Airway Heights, 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 Airway Heights, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 29, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated February 29, 2024.

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

February 29, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Airway Heights January 1, 2021 through December 31, 2021

Council
City of Airway Heights
Airway Heights, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Airway Heights, as of and for the year ended December 31, 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 Airway Heights, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Airway Heights, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

As discussed in Note 3 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 3. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

February 29, 2024

FINANCIAL SECTION

City of Airway Heights January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	104 Park Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	14,972,681	1,382,897	248,460	321,734
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	8,350,132	6,486,900	-	-
320	Licenses and Permits	500,598	469,303	25,770	-
330	Intergovernmental Revenues	2,273,593	1,980,407	204,269	-
340	Charges for Goods and Services	9,556,817	2,082,697	704,102	317,389
350	Fines and Penalties	44,314	44,314	-	-
360	Miscellaneous Revenues	1,394,067	357,753	153,927	323
Total Revenues:		22,119,521	11,421,374	1,088,068	317,712
Expenditures					
510	General Government	1,923,784	1,923,784	-	-
520	Public Safety	5,217,103	5,217,103	-	-
530	Utilities	5,760,851	191	-	-
540	Transportation	497,152	-	497,152	-
550	Natural/Economic Environment	901,833	901,833	-	-
560	Social Services	56,718	56,718	-	-
570	Culture and Recreation	2,243,524	2,243,524	-	-
Total Expenditures:		16,600,965	10,343,153	497,152	-
Excess (Deficiency) Revenues over Expenditures:		5,518,556	1,078,221	590,916	317,712
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,298,742	638,500	-	-
385	Special or Extraordinary Items	892,164	-	-	-
381, 382, 389, 395, 398	Other Resources	446,766	177,083	8,010	-
Total Other Increases in Fund Resources:		2,637,672	815,583	8,010	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	794,484	239,252	-	-
591-593, 599	Debt Service	2,543,333	28,442	-	-
597	Transfers-Out	1,298,742	-	325,000	200,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	358,141	328,625	-	-
Total Other Decreases in Fund Resources:		4,994,700	596,319	325,000	200,000
Increase (Decrease) in Cash and Investments:		3,161,528	1,297,485	273,926	117,712
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,573,958	11,260	-	-
50841	Committed	8,397,148	2,047,705	522,383	439,446
50851	Assigned	4,541,684	-	-	-
50891	Unassigned	621,446	621,446	-	-
Total Ending Cash and Investments		18,134,236	2,680,411	522,383	439,446

The accompanying notes are an integral part of this statement.

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

		111 Criminal Justice Fund	113 Craig Rd & SR 2 Impact Fee Fd	137 Landfill Closure Reserve Fund	155 Hotel/Motel Special Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	272,831	654,558	449,782	582,658
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	250,676	-	-	57,957
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	59,930	-	-	-
340	Charges for Goods and Services	-	142,468	15,000	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	484	322	200	274
Total Revenues:		311,090	142,790	15,200	58,231
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	24,690	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	24,690	-
Excess (Deficiency) Revenues over Expenditures:		311,090	142,790	(9,490)	58,231
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	-	-	36,773	-
Total Other Increases in Fund Resources:		-	-	36,773	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	160,000	330,000	-	178,500
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		160,000	330,000	-	178,500
Increase (Decrease) in Cash and Investments:		151,090	(187,210)	27,283	(120,269)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	423,922	-	-	462,389
50841	Committed	-	467,347	477,065	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		423,922	467,347	477,065	462,389

The accompanying notes are an integral part of this statement.

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

		160 Casino Impact Reserve Fund	201 Sewer G.O. Bond	205 Aquatic & Fitness Center Debt Service Fd	301 Capital Improvement Fd -REET 1
Beginning Cash and Investments					
308	Beginning Cash and Investments	88,443	8,673	178,639	188,780
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	724,724	420,568
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	42	4	300	590
Total Revenues:		42	4	725,024	421,158
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		42	4	725,024	421,158
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	-	-	-	-
591-593, 599	Debt Service	-	300	744,702	-
597	Transfers-Out	85,000	-	-	20,242
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		85,000	300	744,702	20,242
Increase (Decrease) in Cash and Investments:		(84,958)	(296)	(19,678)	400,916
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	8,377	158,960	589,696
50841	Committed	3,486	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		3,486	8,377	158,960	589,696

The accompanying notes are an integral part of this statement.

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

		305 Special Cap Projects Fd- REET 2	310 Capital Projects Fund	315 Aquatic & Fitness Center Constr. Fund, 2	401 Water/Sewer Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	284,118	4,330	(5,242)	10,312,020
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	409,307	-	-	-
320	Licenses and Permits	-	-	-	5,525
330	Intergovernmental Revenues	-	28,987	-	-
340	Charges for Goods and Services	-	1,196,000	-	5,099,161
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	562	151	2	879,133
Total Revenues:		409,869	1,225,138	2	5,983,819
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	5,735,970
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	5,735,970
Excess (Deficiency) Revenues over Expenditures:		409,869	1,225,138	2	247,849
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	655,000	5,242	-
385	Special or Extraordinary Items	-	-	-	892,164
381, 382, 389, 395, 398	Other Resources	-	-	-	224,900
Total Other Increases in Fund Resources:		-	655,000	5,242	1,117,064
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	538,741	-	16,491
591-593, 599	Debt Service	-	-	-	1,769,889
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	29,516
Total Other Decreases in Fund Resources:		-	538,741	-	1,815,896
Increase (Decrease) in Cash and Investments:		409,869	1,341,397	5,244	(450,983)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	693,987	1,345,727	2	879,638
50841	Committed	-	-	-	4,439,716
50851	Assigned	-	-	-	4,541,684
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		693,987	1,345,727	2	9,861,038

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	1,946,870
388 & 588	Net Adjustments	-
310-390	Additions	638,904
510-590	Deductions	1,551,305
	Net Increase (Decrease) in Cash and Investments:	(912,401)
508	Ending Cash and Investments	1,034,470

The accompanying notes are an integral part of this statement.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of Airway Heights (the City) was incorporated in April 1955 and operates under the laws of the State of Washington applicable to a non charter code city with a Council-Manager form of government. Effective January 1, 2002 the qualified electors of the City abandoned the Council-Mayor form of government under 35A.12 RCW and adopted the Council-Manager form of government under 35A.13 RCW. The City is a general purpose government and provides police and fire services, street maintenance and improvements, parks and recreation, health and social services, and general administrative services. In addition, the City owns and operates its own water system and sewer collection and treatment system. Garbage services for local residents are provided by a private contractor. The City Council created the Airway Heights Transportation Benefit District in 2013. It is included as a component unit in the financial statements. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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 *Notes to the Financial Statements*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using 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 Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

For purposes of financial reporting the following funds have been “rolled” into and combined with the Current Expense fund (001):

<u>Fund No.</u>	<u>Fund</u>
105	Fire Equipment Reserve
106	Police Reserve
107	Finance Reserve
108	ARPA Fund
109	Executive Reserve
151	Community Services
157	Admissions Tax Special
163	Kalispel Impact Mitigation

Special Revenue Funds

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

For purposes of financial reporting the following funds have been “rolled” into and combined with the Street fund (101):

<u>Fund No.</u>	<u>Fund</u>
103	Street Reserve Fund

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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

For purposes of financial reporting the following funds have been “rolled” into and combined with the Water/Sewer Fund (401):

<u>Fund No.</u>	<u>Fund</u>
402	Water Equipment Reserve
407	Water/Sewer Capital Development
409	Short-Lived Asset Reserve
412	Water/Sewer Bond Debt Reserve
413	Water/Sewer Bond Debt USDA Reserve
420	Water/Sewer Debt Service
422	Sewer Capacity Reserve
423	Wastewater Debt Sinking
425	Utility Deposit

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Pension (and Other Employee Benefit) Trust Funds

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

Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

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 one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation Accrual:

Permanent employees other than Public Safety Guild employees are credited monthly with the following rates of vacation leave:

<u>Length of Service</u>	<u>Accrual Rate Per Month</u>
1-4 years	8 hours
5-10 years	10 hours
11-15 years	12 hours
16+ years	14 hours

Vacation leave may be accumulated up to 288 hours and is payable upon separation or retirement.

Public Safety Guild employees are credited monthly with the following rates of vacation leave:

<u>Length of Service</u>	<u>Accrual Rate Per Month</u>
1-4 years	8 hours
5-10 years	11 hours
11-15 years	13 hours
16+ years	15 hours

Maximum accrual will not exceed two times the annual allowance plus forty (40) hours and is payable upon separation or retirement.

Sick Leave Accrual:

Permanent employees other than Public Safety Guild employees accrue sick leave at the rate of 8 hours of leave for each month of continuous full-time service. Sick leave may be accumulated up to 960 hours. At the time of retirement of a regular full time employee, an employee with ten years of continuous service shall be compensated for 50% of up to 960 hours of their unused sick leave accrual. An employee with less than twenty (20) years of continuous service but more than ten (10) years of continuous service shall be compensated 75% of up to 960 hours of their unused sick leave accrual. An employee with more than twenty years of continuous service shall be compensated for up to 100% of their accumulated unused sick leave up to 960 hours.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Public Safety Guild employees are credited monthly with 10 hours per month. Any accrued sick leave which is unused in any year may be accumulated for succeeding years up to a maximum of 960 hours. One-half of the employee's accumulated sick leave up to a maximum of 960 hours will be paid in the form of cash if the employee has ten (10) or more continuous years of service with the City. Employees with twenty (20) or more years of continuous service with the City shall be paid 100% up to a maximum of 960 hours of accumulated sick leave upon separation of service.

Separating employees are paid out based on their contract with the City.

Compensated absence balances for vacation, sick leave and compensatory time are reported in Note 6 Debt Service Requirements.

F. Long-Term Debt

See Note 6 – *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and ending cash and investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council. When expenditures that meet restrictions are incurred, the City intends to use most restricted resources first before using unrestricted amounts.

Reserved Fund Balances are reported in the following funds at December 31, 2021:

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Fund #	Fund Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
1	Current Expense Fund	11,260	2,047,705	2,058,965	<u>Restricted</u> : \$11,260 Federal Seizure Funds - this fund is overseen by the Federal agency for compliance; <u>Committed</u> : \$497,989 Fire Reserve, \$11,634 Police Reserve, \$7,199 Finance Reserve, \$197,223 Executive Reserve, \$3,732 Community Services Fund, \$1,342 Admissions Tax Special Fund, \$4,727 Kalispel Impact Mitigation Fund, \$1,323,859 ARPA Fund - All these funds are committed and are set up through an ordinance by the City Council and require Council approval through a resolution
101	Street Fund		522,383	522,383	The amount committed is the Ending Cash balance for the Street Reserve Fund and require Council approval through a resolution for usage
104	Park Reserve		439,446	439,446	The amount committed is the Ending Cash Balance for the Park Reserve Fund and require Council approval through a resolution for usage
111	Criminal Justice Fund	423,922		423,922	The amount restricted is the Ending Cash Balance for the Criminal Justice Fund, a State Law required fund where Municipal Criminal Justice assistance needs to be transferred and require Council approval through resolution for usage
113	Craig Rd & SR 2 Impact Fee Fund		467,347	467,347	The amount committed is the Ending Cash balance for the Craig Road & SR 2 Impact Fee fund, a fund established by City council for specific uses and require Council approval through resolution
137	Landfill Closure Fund		477,065	477,065	The amount committed is the Ending Cash balance for the Landfill Closure, a fund established by City council for specific uses and requires Council approval through resolution
155	Hotel/Motel Special Tax	462,389		462,389	The amount restricted is the Ending Cash Balance for the Hotel/Motel Special Tax fund and usage is overseen by a Committee made up contributors, users, and a City elected official
160	Casino Impact Reserve Fund		3,486	3,486	The amount committed is the Ending Cash Balance for the Casino Impact Reserve Fund, a fund established by the City council for specific uses and require Council approval through resolution
201	Sewer G.O. Bond "97" Debt Fund	8,377		8,377	The amount committed is the Ending Cash Balance for the Sewer G.O. Bond "97" Debt Fund, a fund established by City council and require Council approval through resolution
205	Aquatic & Fitness Center Debt Services	158,960		158,960	The amount restricted is set forth for the debt services for the Aquatic Center Bond, prescribed by the WA State Auditor's Office (RCW 43.09.200)
301	Capital Improvement Fund REET 1	589,696		589,696	The amount restricted is authorized under RCW 82.46.010 and are to be used under the same RCW's restrictions
305	Special Cap Projects Fund REET 2	693,987		693,987	The amount restricted is authorized under RCW 82.46.035 and are to be used under the same RCW's restrictions
310	Capital Projects Fund	1,345,727		1,345,727	The amount in this fund are committed for the sole purpose of capital projects, which are authorized by the City Council
315	Aquatic & Fitness Center Construction		2	2	The amount restricted amount in this fund are funds to use for the construction of the Airway Heights Recreation Center
401	Water/Sewer Fund	879,638	4,439,716	5,319,354	<u>Restricted</u> : Short-Lived Asset Reserve Fund \$211,781 in accordance with the letter of conditions set forth by USDA; Water-Sewer Debt Reserve Fund \$237,035 are funds for the sole purpose of Debt Services; Water-Sewer Bond Debt USDA Reserve \$166,224 are for the sole purpose of USDA Bond Debt; Utility Deposit Fund \$264,598 are moneys collected and restricted for Utility Deposits; <u>Committed</u> : Water-Sewer Capital Development Fund \$1,505,752 are funds committed to the development of Water-Sewer capital projects; Water-Sewer Debt Services Fund \$60,509 is a fund established to pay all committed debt services for Water-Sewer; Sewer Capacity Reserve Fund \$870,629 is a reserve fund for future sewer capacity expansion; Wastewater Debt Sinking Fund \$2,002,826 is a reserve fund to reduce wastewater debt and/or fund wastewater expansions authorized by City Council
695	Transportation Benefit District	1,034,470		1,034,470	
					Street Purposes
	Totals	5,608,426	8,397,150	14,005,576	

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Note 2 - Budget Compliance

The City adopts annual appropriated budgets for the current expense, special revenue, debt service, capital projects, enterprise, and custodial funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year-end.

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

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

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
<i>General Fund</i>			
001 Current Expense Fund	10,774,409	11,028,670	(254,261)
105 Fire Equipment Reserve Fund	313,377	-	313,377
106 Police Reserve Fund	28,761	-	28,761
107 Finance Reserve Fund	7,317	-	7,317
108 ARPA Fund	-	-	-
109 Executive Reserve Fund	200,643	-	200,643
151 Community Services Fund	3,779	-	3,779
157 Admissions Tax Special Fund	84,150	80,000	4,150
163 Kalispel Impact Mitigation Fund	668,315	469,800	198,515
TOTAL	12,080,751	11,578,470	502,281
<i>Street Fund</i>			
101 Street Fund	519,698	497,153	22,545
103 Street Reserve Fund	514,039	400,000	114,039
TOTAL	1,033,737	897,153	136,584
<i>Water/Sewer Fund</i>			
401 Water/Sewer Fund	12,371,963	7,507,578	4,864,385
402 Water Equipment Reserve	30,491	-	30,491
407 Water/Sewer Capital Dev. Fund	1,587,651	95,000	1,492,651
409 Short-Lived Asset Reserve Fund	291,427	80,000	211,427
412 Water-Sewer Bond Debt Reserve	235,485	-	235,485
413 Water-Sewer Bond Debt USDA Reserve	165,734	-	165,734
420 Water-Sewer Debt Service Fund	1,826,833	1,769,887	56,946
422 Sewer Capacity Reserve Fund	869,850	-	869,850
423 Wastewater Debt Sinking Fund	2,534,426	725,000	1,809,426
425 Utility Deposit Fund	317,475	29,516	287,959
TOTAL	20,231,335	10,206,982	10,024,353
<i>Other Funds</i>			
104 Park Reserve Fund	435,766	200,000	235,766
111 Criminal Justice Fund	430,455	160,000	270,455
113 Craig Rd & SR 2 Impact Fee Fund	675,110	330,000	345,110
137 Landfill Closure Reserve Fund	455,611	24,690	430,921
155 Hotel/Motel Special Tax	536,507	178,500	358,007
160 Casino Impact Reserve Fund	463,520	85,000	378,520
201 Sewer G.O. Bond "97" Debt Fund	8,796	300	8,496
205 Aquatic & Fitness Center Debt Sinking Fund	921,937	744,702	177,235
301 Capital Improvement Fund REET 1	406,516	20,242	386,274
305 Special Cap Projects Fund REET 2	397,374	-	397,374
310 Capital Projects Fund	4,645,607	538,741	4,106,866
315 Aquatic & Fitness Center Construction Fund	4,573	-	4,573
TOTAL	9,381,772	2,282,175	7,099,597
TOTAL	42,727,595	24,964,780	17,762,815

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

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.

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 the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In response to the pandemic, the recreation center was closed during the first quarter of 2021. Many city employees work remotely and new procedures were put into place. While some activities have been limited or temporarily curtailed, the city continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions.

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

Note 4 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type on December 31, 2021, are as follows:

Type of Deposit or Investment	(City/Town/District)'s own deposits & investments		Deposits & investments held by the (City/Town/District) as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits	4,956,827		1,034,470	5,991,297
Certificate of Deposits	402,738			402,738
Local Government Investment Pool	9,142,187			9,142,187
U.S. Government Securities/U.S. Bank Safekeeping	431,891.92			
	18,820,668		1,034,470	19,855,138

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

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

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 - Interfund Loans

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Beginning Balance	New Loans	Payments	Ending Balance
Current Expense	Landfill Closure	35,357		35,357	-
Current Expense	Water/Sewer	400,921		45,086	355,835
Current Expense	Water/Sewer	500,000		119,514	380,486
TOTALS		936,278	-	199,957	736,321

Note 6 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Airway Heights and summarizes the city's debt transactions for year ended December 31, 2022.

The debt service requirements for general obligation bonds, revenue bonds and lease purchase agreements are as follows:

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Year	Principal	Interest	Total Debt Service
2022	1,467,821	835,277	2,303,098
2023	1,496,090	806,789	2,302,879
2024	1,519,992	777,516	2,297,508
2025	1,549,550	746,214	2,295,765
2026	1,579,781	714,028	2,293,809
2027-2031	6,751,370	3,006,110	9,757,480
2032-2036	3,795,670	2,059,858	5,855,528
2037-2041	3,531,689	1,310,748	4,842,438
2042-2046	3,767,943	631,482	4,399,425
2047-2051	681,484	120,916	802,400
2052-2056	306,331	13,493	319,823
<i>Totals</i>	26,447,721	11,022,432	37,470,152

The debt service requirements for general obligation bonds, revenue bonds and lease purchase agreements are as follows:

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

	Balance 01/01/2021	Additions	Reductions	Balance 12/31/2021
General Obligation Debt/Liabilities				
UTGO Bonds, 2016	\$ 9,515,000	\$ -	\$ -	\$ 9,515,000
UTGO Bonds, 2017	1,982,205	-	(1,982,205)	-
UTGO Bonds, 2021	0	2,029,644	(288,437)	1,741,207
PWTF Loan (PW-01)	155,992	-	(155,992)	0
PWTF Loan (PW-07)	2,749,444	-	(392,778)	2,356,666
Dept of Commerce Loan (PC12)	463,595	-	(42,145)	421,450
Dept of Ecology (DEO) Loan	525,326	-	(58,774)	466,552
DOE Loan ARRA Loan	6,501,093	-	(483,344)	6,017,749
DOE State Revolv L0900008	113,368	-	(8,429)	104,939
DOE State Revolv STEP Loan	217,223	-	(17,194)	200,029
Total General Obligation Debt/Liabilities:	22,223,246	2,029,644.0	(3,429,297)	20,823,593
Revenue and Other (non G.O.) Debt/Liabilities				
Water/Sewer Rev Bond 2013A	2,650,000	-	(100,000)	2,550,000
Water/Sewer Rev Bond 2013B	3,125,656	-	(50,202)	3,075,454
Lease Servicing Center, Inc. - Ford Leases	78,722	-		78,722
Ford Motor Credit Company LLC	44,553	-		44,553
Ford Motor Credit Company LLC	43,692	-		43,692
Total Revenue and Other (non G.O.) Debt/Liabilities:	5,942,623	-	(150,202)	5,792,421
Total Liabilities:	\$ 28,165,869	\$ 2,029,644	\$ (3,579,498)	\$ 26,616,015

Debt Refunding

The city issued \$2,029,644 of UTGO refunding bonds to retire \$1,982,205 of existing UTGO series bonds. This refunding was undertaken to reduce total debt service payments over the next 6 years by \$71,230.

A. General Obligation Bonds

Unlimited Tax General Obligation Bonds, Series 2016, dated December 6, 2016, issued in the principal amount of \$9,515,000, outstanding in the principal amount of \$9,515,000; final payment due December 1, 2046, remaining annual installments of principal and interest ranging from \$378,225 to \$721,438; remaining interest rates ranging of 3.75% to 4.25%; debt service paid from general property taxes levied for debt service.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

The annual requirements to amortize this general obligation bonded debt outstanding as of December 31, 2021, are as follows:

	Principal	Interest	Total
2022	-	378,225	378,225
2023	-	378,225	378,225
2024	-	378,225	378,225
2025	-	378,225	378,225
2026	-	378,225	378,225
2027-2031	1,515,000	1,796,925	3,311,925
2032-2036	2,170,000	1,421,525	3,591,525
2037-2041	2,635,000	958,538	3,593,538
2042-2046	3,195,000	402,025	3,597,025
Total	9,515,000	6,470,138	15,985,138

Unlimited Tax General Obligation Bonds, Series 2021, dated August 12, 2021, issued in the principal amount of \$2,029,644, outstanding in the principal amount of \$1,741,207; final payment due December 1, 2027, remaining annual installments of principal and interest ranging from \$252,766 to \$314,767; remaining interest rate of 1.420%; debt service paid from general property taxes levied for debt service.

The annual requirements to amortize this general obligation bonded debt outstanding as of December 31, 2021, are as follows:

	Principal	Interest	Total
2022	290,041	24,725	314,766
2023	294,160	20,607	314,767
2024	298,336	16,429	314,765
2025	302,573	12,193	314,766
2026	306,870	7,897	314,767
2027	249,227	3,539	252,766
Total	1,741,207	85,390	1,826,597

B. Public Works Trust Fund and Department of Commerce Loans

The City has two intergovernmental loans from the Public Works Trust Fund Board and one from the Department of Commerce. The loans are funded as part of the Public Works Trust Fund under the authority of RCW 43.115 to provide for local public works projects.

Public Works Trust Fund Loan, PW-07-962-001, total authorized amount of \$7,000,000; outstanding in the principal amount of \$2,356,666; for sewer system improvements; final payment due July 1, 2027; remaining annual installments of principal and interest ranging from \$394,742 to \$404,561; interest rate of 1/2%; debt service paid from revenues of the Water/Sewer fund.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

The loan agreement provides for interest at 1/2% per annum on the outstanding balance. After the first loan payment, subsequent repayments are due July 1 of each year and will consist of 1/19th of the outstanding principal plus interest on the unpaid balance of the loan.

The annual requirements to amortize the Public Works Trust Fund loan outstanding as of December 31, 2021, are as follows:

	Principal	Interest	Total
2022	392,778	11,783	404,561
2023	392,778	9,819	402,597
2024	392,778	7,856	400,633
2025	392,778	5,892	398,669
2026	392,778	3,928	396,706
2027	392,778	1,964	394,742
Total	2,356,667	41,242	2,397,908

Department of Commerce Loan, PC12-951-002, total authorized amount of \$758,610; outstanding in the principal amount of \$421,450; for sewer system improvements; final payment due June 1, 2031; remaining annual installments of principal and interest ranging from \$42,250 to \$43,199; interest rate of .25%; debt service paid from revenues of the Water/Sewer fund.

The loan agreement provides for interest at .25% per annum on the outstanding balance. Loan payment installments are due on June 1st of each year during the 20-year fixed term of the loan. The amortization schedule changed on this loan due to the project being finished early. The interest rate was reduced from 1% to .25% for the rest of the loan period resulting in reduced interest payments.

The annual requirements to amortize the Department of Commerce loan outstanding as of December 31, 2020, are as follows:

	Principal	Interest	Total
2022	42,145	1,054	43,199
2023	42,145	948	43,093
2024	42,145	843	42,988
2025	42,145	738	42,883
2026	42,145	632	42,777
2027-2031	210,725	1,580	212,305
Total	421,450	5,795	427,245

C. Department of Ecology Loans

The City has four intergovernmental Washington State Water Pollution Control Revolving Fund Loans from the Department of Ecology.

Department of Ecology Loan, L0700021, total issued amount of \$1,074,159; outstanding in the principal amount of \$466,552; for sewer system improvements; final payment due December 31, 2028; remaining annual installments of principal and interest of \$74,710; interest rate of 3.1%; debt service paid from revenues of the Water/Sewer fund.

The annual requirements to amortize the Department of Ecology loan outstanding as of December 31, 2021 are as follows:

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

	Principal	Interest	Total
2022	60,622	14,088	74,710
2023	62,528	12,181	74,710
2024	64,495	10,215	74,710
2025	66,523	8,187	74,710
2026	68,614	6,095	74,710
2027-2028	143,770	5,651	149,421
Total	466,552	56,417	522,970

Department of Ecology Loan, L0900007, total authorized amount of \$9,951,629 comprised of two elements: Recovery Act Loan and Recovery Act Green Project Reserve Loan for sewer system improvements. The principal amount outstanding at December 31, 2020 is \$6,017,749. The first principal and interest payment was due June 1, 2013; interest rate of 2.9%; last debt service payment due June 1, 2032; debt service paid from revenues of the Water/Sewer fund.

The annual requirements to amortize the Department of Ecology loan outstanding as of December 31, 2021 are as follows:

	Principal	Interest	Total
2021	483,344	186,174	669,518
2022	497,549	171,970	669,518
2023	512,171	157,347	669,518
2024	527,223	142,295	669,518
2025	542,717	126,801	669,518
2026-2030	2,962,415	385,176	3,347,592
2031-2032	975,674	28,603	1,004,278
Total	6,501,093	1,198,368	7,699,461

Department of Ecology State Base Revolving Loan, L00900008, total issued amount of \$173,537; outstanding in the principal amount of \$104,939; for sewer system improvements; final payment due June 1, 2032; remaining annual installments of principal and interest of \$11,675; interest rate of 2.9%; debt service paid from revenues of the Water/Sewer fund.

The annual requirements to amortize the Department of Ecology loan outstanding as of December 31, 2021 are as follows:

	Principal	Interest	Total
2022	8,676	2,999	11,675
2023	8,931	2,744	11,675
2024	9,194	2,481	11,675
2025	9,464	2,211	11,675
2026	9,742	1,933	11,675
2027-2031	53,177	5,199	58,376
2032	5,754	84	5,838
Total	104,938	17,651	122,589

Department of Ecology Loan, L1100011, total issued amount of \$344,570; outstanding in the principal amount of \$200,029; for sewer system improvements; final payment due November 30, 2031; remaining

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

annual installments of principal and interest of \$22,976; interest rate of 2.7%; debt service paid from revenues of the Water/Sewer fund.

The annual requirements to amortize the Department of Ecology loan outstanding as of December 31, 2021 are as follows:

	Principal	Interest	Total
2022	17,664	5,312	22,976
2023	18,147	4,829	22,976
2024	18,643	4,333	22,976
2025	19,152	3,824	22,976
2026	19,676	3,300	22,976
2027-2031	106,748	8,132	114,880
Total	200,029	29,730	229,760

D. Water and Sewer Revenue Bonds

Water-Sewer Revenue Bonds, Series 2013 A, total issued amount of \$3,290,000; outstanding in the principal amount of \$2,550,000; for sewer system improvements; final payment due December 1, 2038; remaining annual installments of principal and interest of ranging from \$220,750 to \$225,750; interest rates ranging from 2.0% to 5.0%; debt service paid from revenues of the Water/Sewer fund.

The annual requirements to amortize the Water-Sewer Revenue Bonds, Series 2013 A as of December 31, 2021 are as follows:

	Principal	Interest	Total
2022	105,000	117,988	222,988
2023	110,000	114,838	224,838
2024	110,000	111,538	221,538
2025	115,000	106,863	221,863
2026	120,000	101,975	221,975
2027-2031	690,000	423,075	1,113,075
2032-2036	885,000	236,006	1,121,006
2037-2038	415,000	31,500	446,500
Total	2,550,000	1,243,781	3,793,781

Water-Sewer Revenue Bonds, Series 2013 B, total issued amount of \$3,400,000; outstanding in the principal amount of \$3,075,454; for Sewer system improvements; final payment due November 20, 2053; remaining annual installments of principal and interest of \$160,480; interest rate of 3.5%; debt service paid from revenues of the Water/Sewer fund.

The annual requirements to amortize the Water-Sewer Revenue Bonds, Series 2013 B as of December 31, 2021 are as follows:

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

	Principal	Interest	Total
2022	53,346	107,134	160,480
2023	55,230	105,250	160,480
2024	57,180	103,300	160,480
2025	59,198	101,282	160,480
2026	61,289	99,191	160,480
2027-2031	340,470	461,930	802,400
2032-2036	404,970	397,430	802,400
2037-2041	481,689	320,711	802,400
2042-2046	572,943	229,457	802,400
2047-2051	681,484	120,916	802,400
2052-2053	306,331	13,493	319,823
Total	<u>3,074,129</u>	<u>2,060,094</u>	<u>5,134,223</u>

E. Compensated Absences – Government Debt

Compensated absences for government funds consist of Vacation Leave, Sick Leave, and Compensatory Time Leave payable on December 31, 2021, in accordance with the City's leave policies.

Compensated Absences as of December 31, 2021, \$884,796

Note 7 – Pension Plans

A. State-Sponsored Pension Plans

Substantially all the city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans - Public Employees' Retirement System(PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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

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

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

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

Also, the DRS CAFR 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 CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

On June 30, 2021, the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan Type	Employer Contributions	Allocation Percentage	NPL	NPA
PERS 1 UAAL	\$ 137,539.19	0.01846400%	225,489	
PERS 2/3	\$ 224,736.03	0.02372500%		(2,363,392)
TOTAL	\$ 362,275.22		\$ 225,489	\$ (2,363,392)
		(Schedule 09)		

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.

Plan Type	Employer Contributions	Allocation Percentage	NPL	NPA
LEOFF 2	\$ 123,093.88	0.06174900%		(3,586,638)
VFFRPF	\$ 240.00	0.120000%		27,150
TOTAL	\$ 123,333.88			\$ (3,559,488)
		(Not on Schedule 09)		

Note 8 - 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 Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100% of market value.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

October 31 Second of two equal installment payments is due.

Property tax revenues are recognized when cash is received by 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 \$1.778501987 per \$1,000 on an assessed valuation of \$762,064,451 for a total regular levy of \$1,355,333. An additional \$706,342 was levied for outstanding voted annual general obligation principal and interest payments. An additional \$155,280 was levied for EMS Levy. The total for all 2021 levies was \$2,216,954.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular	1.778501987	762,064,451	1,355,333
Bond	0.9308971111	758,775,166	706,342
EMS	0.203761637	762,064,451	155,280
TOTAL			2,216,954

Note 9 – Risk Management

The City of Airway Heights 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 Retention (SIR) of \$250,000, per occurrence, and is

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

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

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

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

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

Note 10 – Other Disclosures

A. Airway Heights Transportation Benefit District

The Airway Heights City Council created the Airway Heights Transportation Benefit District (reported as a component unit) as a quasi-municipal corporation, an independent taxing district, by ordinance C-793 on April 15, 2013. The District was created under the authority provided by RCW 35.21. The District is a governmental special-purpose entity governed by a Board of Directors, created for the sole purpose of acquiring, constructing, improving, providing and funding transportation improvements within the District.

The seven-member Board is composed of the seven members of the Airway Heights City Council acting in an ex officio and independent capacity, which has the authority to exercise the statutory powers set forth in chapter 36.73 RCW. The Chair of the Board is the Mayor of the City; the Secretary of the Board is the City Manager; and the Treasurer of the District is the City Clerk-Treasurer.

A ballot measure was proposed and approved in November 2013 to authorize a sales tax of two-tenths of one percent (0.2%) to be collected in the District, effective April 1, 2014. Collections of these revenues directly from the State started in 2014. In 2021, sales tax received by the District was \$637,512.

The boundaries of the District are identical with those of the City. The District operates under the laws of the State of Washington applicable to a Transportation Benefit District. The District uses cash basis accounting which is a departure from generally accepted accounting principles (GAAP). The District is included in the City's financial statements for 2021 as a component unit.

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

B. Contracts Payable

The City entered into an agreement with the City of Spokane to purchase 680,000 gallons per day of sewage treatment capacity for \$2,040,000. In 1993, the Washington State Department of Corrections became a party to the contract assuming \$1,200,000 of the debt. The City's share of this amount is to be paid over 19 years. The City receives credit against the balance for the sewer surcharge paid to the City of Spokane. The contract is open for review every five years.

One component part, similar to interest on unpaid principal amounts, is to be calculated at 5% per year, in lieu of specific indexing.

Scheduled amounts, which have been based on projected flows, are to be reviewed every fifth year and then adjusted against actual measured flows.

Date	Descriptions	Transactions		Balance
		Additions	Reductions	
6/30/1992	Agreement signed	\$ 840,000	\$ -	\$ 840,000
12/31/1993	Interest @ 5% accrued	21,000	-	
	Payment	-	(4,261)	856,739
12/31/1994	Interest @ 5% accrued	42,881	-	
	Payment	-	(5,681)	893,939
12/31/1995	Interest @ 5% accrued	44,619	-	
	Payment	-	(18,976)	919,582
12/31/1996	Interest @ 5% accrued	45,760	-	
	Payment	-	(43,980)	921,362
12/31/1997	Interest @ 5% accrued	46,001	-	
	Payment	-	(62,697)	904,666
12/31/1998	Interest @ 5% accrued	45,329	-	
	Payment	-	(239,977)	710,018
12/31/1999	Interest @ 5% accrued	39,587	-	
	Payment	-	(79,308)	670,297
12/31/2000	Interest @ 5% accrued	33,157	-	
	Payment	-	(102,117)	601,337
12/31/2001	Interest @ 5% accrued	30,113	-	
	Payment	-	(99,289)	532,161
12/31/2002	Interest @ 5% accrued	26,341	-	
	Payment	-	(137,425)	421,077
12/31/2003	Interest @ 5% accrued	21,135	-	
	Payment	-	(132,228)	309,984
12/31/2004	Interest @ 5% accrued	15,511	-	
	Payment	-	(132,798)	192,697
12/31/2005	Interest @ 5% accrued	10,263	-	
	Payment	-	(122,256)	80,704
12/31/2006	Interest @ 5% accrued	4,347	-	
	Payment	-	(168,988)	(83,937)
12/31/2006	Balance			\$ (83,937)

The City of Spokane overbilled the Sewer Capital Charge to the City in 2006 by \$83,937. At December 31, 2021 the City was due a refund of \$83,937 for Capital Charge and \$90,562 of interest for a total of \$174,499.

C. Legal Matters

City of Airway Heights
Notes to the Financial Statements
For the year ended December 31, 2021

In the normal course of governmental operations the City has claims filed against it for various losses related to actions such as wrongful acts, injuries, or damages for which a civil action can be brought, and other routine legal proceedings. The collective impact of these claims is not likely to have a material impact on the City's financial position. In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims.

D. Federal and State Programs

The City participates in a number of federal and state assisted programs which provide grants to support City initiatives. These grants are subject to audit by the grantors or their representatives. While the City does not anticipate such an outcome, audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants.

E. Other

In May 2017, the City was advised by Fairchild Air Force Base (FAFB) that its water may be contaminated by PFOS/PFOA firefighting chemicals. Through water testing, the City confirmed that several wells were contaminated. Consequently there have been some claims filed against the City. The City and FAFB are working through these water issues to identify the sources of the contamination and to reach a solution. As of December 31, 2021, the number and cost of all possible claims are unknown.

**City of Airway Heights
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						
251.22	GO Bond, Voted Open Space, Parks, and Capital Facilities	12/1/2046	9,515,000	-	-	9,515,000
251.22	Voted GO Debt, Open Space, Parks, and Capital Facilities	12/1/2027	1,982,205	-	1,982,205	-
251.22	UTGO Bond, Open Space, Parks, and Capital Facilities	12/1/2027	-	2,029,644	288,437	1,741,207
263.87	PWTF Loan PW-01-691-002	7/1/2021	155,991	-	155,991	-
263.87	PWTF Loan PW-07-962-001	7/1/2027	2,749,444	-	392,778	2,356,666
263.87	PWTF Loan PC12-951-002	6/1/2031	463,595	-	42,145	421,450
263.81	Dept. Of Ecology Loan (DOE) L0700021	12/31/2028	525,326	-	58,774	466,552
263.81	ARRA Loan Agree L090007 Loan	6/1/2032	6,501,093	-	483,344	6,017,749
263.81	DOE State Revolving Loan L0900008	6/1/2032	113,368	-	8,429	104,939
263.81	DOE State Rev Loan L1100011 Step Loan	11/30/2031	217,223	-	17,194	200,029
Total General Obligation Debt/Liabilities:			22,223,245	2,029,644	3,429,297	20,823,592
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Water & Sewer Revenue Bonds, Series 2013 A	12/31/2038	2,650,000	-	100,000	2,550,000
252.11	Water & Sewer Revenue Bonds, Series 2013 B	11/20/2053	3,125,656	-	50,202	3,075,454
264.30	Net Pension Liabilities		916,069	-	690,580	225,489
259.12	Compensated Absences		836,112	48,684	-	884,796
263.52	Lease Servicing Center, Inc. - Ford Leases	10/17/2023	78,722	-	24,821	53,901
263.52	Ford Motor Credit Company LLC	1/31/2023	44,553	-	13,899	30,654
263.52	Ford Motor Credit Company LLC	4/27/2023	43,691	-	13,630	30,061
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,694,803	48,684	893,132	6,850,355
Total Liabilities:			29,918,048	2,078,328	4,322,429	27,673,947

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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.

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