



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Liberty Lake Sewer and Water District No 1

For the period January 1, 2022 through December 31, 2023

*Published December 19, 2024*

Report No. 1036201



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

December 19, 2024

Board of Commissioners  
Liberty Lake Sewer and Water District No 1  
Liberty Lake, Washington

**Report on Financial Statements**

Please find attached our report on Liberty Lake Sewer and Water District No 1's financial statements.

We are issuing this report in order to provide information on the District'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*

#### **Liberty Lake Sewer and Water District No 1 January 1, 2022 through December 31, 2023**

Board of Commissioners  
Liberty Lake Sewer and Water District No 1  
Liberty Lake, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Liberty Lake Sewer and Water District No 1, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 5, 2024.

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

December 5, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Liberty Lake Sewer and Water District No 1 January 1, 2022 through December 31, 2023**

Board of Commissioners  
Liberty Lake Sewer and Water District No 1  
Liberty Lake, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Liberty Lake Sewer and Water District No 1, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the District 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 Liberty Lake Sewer and Water District No 1, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Liberty Lake Sewer and Water District No 1, as of December 31, 2023 and 2022, 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 District, 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 District 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 7 to the financial statements, in 2023, the District adopted new accounting guidance, for the presentation and disclosure of subscription based information technology arrangements (SBITA), as required by the BARS Manual. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, in 2022, the District adopted new accounting guidance, for the presentation and disclosure of leases, as required by the BARS Manual. Our opinion is not modified with respect to this matter

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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:

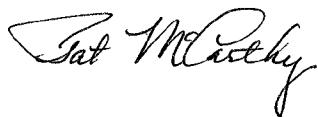
- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 District'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 District'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 District's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

December 5, 2024

## **FINANCIAL SECTION**

### **Liberty Lake Sewer and Water District No 1 January 1, 2022 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023

Fund Resources and Uses Arising from Cash Transactions – 2022

Notes to the Financial Statements – 2023

Notes to the Financial Statements – 2022

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

Schedule of Liabilities – 2023

Schedule of Liabilities – 2022

**Liberty Lake Sewer and Water District No 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>400 Water Fund</b>	<b>401 Sewer Fund</b>
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	14,413,557	4,775,465	9,638,092
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	2,297,401	2,297,401	-
340	Charges for Goods and Services	9,012,592	3,225,979	5,786,613
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	524,204	153,376	370,828
Total Revenues:		11,834,197	5,676,756	6,157,441
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	4,975,519	2,201,254	2,774,265
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		4,975,519	2,201,254	2,774,265
Excess (Deficiency) Revenues over Expenditures:		6,858,678	3,475,502	3,383,176
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	980,432	980,432	-
397	Transfers-In	5,253	-	5,253
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	182,455	65	182,390
Total Other Increases in Fund Resources:		1,168,140	980,497	187,643
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	2,808,533	1,632,992	1,175,541
591-593, 599	Debt Service	3,781,824	2,292,579	1,489,245
597	Transfers-Out	5,253	5,253	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	181,938	64	181,874
Total Other Decreases in Fund Resources:		6,777,548	3,930,888	2,846,660
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,249,270</b>	<b>525,111</b>	<b>724,159</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	15,662,824	5,300,575	10,362,249
50891	Unassigned	-	-	-
<b>Total Ending Cash and Investments</b>		<b>15,662,824</b>	<b>5,300,575</b>	<b>10,362,249</b>

The accompanying notes are an integral part of this statement.

**Liberty Lake Sewer and Water District No 1**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Total for All Funds (Memo Only)</b>	<b>400 Water Fund</b>	<b>401 Sewer Fund</b>
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	12,946,042	4,160,214	8,785,828
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	8,398,504	2,812,301	5,586,203
350	Fines and Penalties	1,000	1,000	-
360	Miscellaneous Revenues	220,213	65,179	155,034
Total Revenues:		8,619,717	2,878,480	5,741,237
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	4,631,983	2,024,262	2,607,721
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		4,631,983	2,024,262	2,607,721
Excess (Deficiency) Revenues over Expenditures:		3,987,734	854,218	3,133,516
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	370,965	370,965	-
397	Transfers-In	21,173	3,255	17,918
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	361,262	164	361,098
Total Other Increases in Fund Resources:		753,400	374,384	379,016
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	1,115,434	489,729	625,705
591-593, 599	Debt Service	1,596,703	105,590	1,491,113
597	Transfers-Out	21,173	17,918	3,255
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	540,309	115	540,194
Total Other Decreases in Fund Resources:		3,273,619	613,352	2,660,267
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,467,515</b>	<b>615,250</b>	<b>852,265</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	9,638,092	-	9,638,092
50851	Assigned	4,775,465	4,775,465	-
50891	Unassigned	-	-	-
<b>Total Ending Cash and Investments</b>		<b>14,413,557</b>	<b>4,775,465</b>	<b>9,638,092</b>

The accompanying notes are an integral part of this statement.

Liberty Lake Sewer and Water District No 1  
Notes to the Financial Statements  
For the Year Ended December 31, 2023

**Note 1 - Summary of Significant Accounting Policies**

Liberty Lake Sewer & Water District #1 (District) was incorporated on May 08, 1973 and operates under the laws of the state of Washington applicable to a water-sewer district. The District is a special purpose local government and provides water and sewer services.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting, and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenses. The District'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 District uses only the following fund type:

PROPRIETARY FUND TYPE:

Enterprise Funds

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

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 expenses are recognized when paid.

C. Cash & Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one (1) year. Capital assets are recorded as capital expenses when paid.

E. Compensated Absences

District employees may accrue various paid leave types during their employment, including vacation, sick,

compensatory time, personal holiday, and paid time off (PTO). Payments of all paid leave types are recognized as expenses when paid.

- Vacation leave may be accumulated to a maximum of 240 hours and is payable upon separation.
- Non-exempt employees may elect to receive compensatory time (comp-time) in lieu of overtime or premium pay and exempt employees may elect to receive comp-time in lieu of premium pay. Comp-time may be accumulated to a maximum of 80 hours and is payable upon separation. Accumulation of comp-time beyond the 80 hour limit may be permitted at the General Manager's discretion.
- Personal holiday may be accumulated to a maximum of 16 hours and is not payable upon separation.
- Sick leave may be accumulated to a maximum of 480 hours and is not payable upon separation.
- Eligible employees may accrue PTO without limit. PTO is not payable upon separation.

F. Long-Term Debt

See Note 4, *Long-term Debt*.

G. Restricted and Committed Portions 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 resolution. When expenses that meet restrictions are incurred, the District intends to use the most restricted resources first.

District Resolutions 09-19 and 20-19 impose such internal commitments on fund balances pertaining to the East Side Liberty Lake Improvement Club Consolidation and the Greenridge HOA Water System Consolidation, respectively. As of December 31, 2023, the fund balances for both projects were zero.

## Note 2 - Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2023 are as follows:

Type of deposit or investment	District's own deposits and investments
Banner Bank Checking Account	\$288,067
Xpress Bill Pay	82,710
Spokane County Investment Pool (SCIP)	7,996,542
Local Government investment Pool (LGIP)	7,295,505
<b>Total</b>	<b><u>\$15,662,824</u></b>

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

Investments in Spokane County Investment Pool (SCIP)

The District is a voluntary participant in the Spokane County Investment Pool, an external investment pool operated by Spokane County. The pool is not rated and is not registered with the Securities and Exchange Commission (SEC). Rather, oversight is provided by the Spokane County Finance Committee in accordance with Chapter 36.48.070 RCW. Investments in the SCIP are reported at original cost. The SCIP does not impose any restrictions on participant withdrawals.

Investments in the State Local Government Investment Pool (LGIP)

The District 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 is not registered with the Securities

and Exchange Commission (SEC). Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at original 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, WA 98504-0200 or online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District 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 District's deposits are covered by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC) or by Federal Depository Insurance (FDIC).

District investments in the Spokane County Investment Pool and Local Government Investment Pool are held by the Spokane County Treasurer and the Washington State Treasurer, respectively, for the benefit of the District.

### **Note 3 - Leases**

During the year ended December 31, 2022, the District adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. District policy defines a lease as a contract that conveys control of the District's right to use another entity's tangible, nonfinancial asset for a period of time in excess of 12 months in an exchange or exchange-like transaction of at least \$5,000. Leasing is not an integral part of the District's principal operations.

The District's future lease payment obligations are as follows:

	<u>Principal</u>
2024	\$1,980
2025	1,485
<b>Totals</b>	<b><u>\$3,465</u></b>

Details of the District's lease agreements are as follows:

#### Canon Financial Services

The District entered into an agreement on September 23, 2020 for the lease of a multi-function copier. The term of the lease is 60 months; payments are due in equal monthly installments of \$165 beginning October 1, 2020 and ending September 30, 2025. The District does not intend to extend the lease at expiration. The principal balance at December 31, 2023 is \$3,465.

### **Note 4 - Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for the year ended December 31, 2023.

The debt service requirements for the District's revenue obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,240,328	\$358,702	\$1,599,030
2025	890,328	336,622	1,226,950
2026	910,238	315,922	1,226,160

2027	930,627	294,744	1,225,371
2028	951,504	273,076	1,224,580
2029-2033	5,088,699	1,022,359	6,111,058
2034-2038	5,691,312	400,003	6,091,315
2039-2043	357,745	16,604	374,349
2044-2048			
<b>Totals</b>	<b>\$16,060,781</b>	<b>\$3,018,032</b>	<b>\$19,078,813</b>

Details of the District's debt instruments are as follows:

WRF Phase I

The proceeds of this loan were used for phase one of the upgrade to the District's wastewater treatment plant. The loan is payable to the Washington State Public Works Fund; payments are due in annual installments beginning July 01, 2005 and ending July 1, 2024, and includes interest at 0.5%. The principal balance at December 31, 2023 is \$369,445.

WRF Phase II Construction

The proceeds of this loan were used for construction of phase two of the upgrade to the District's wastewater treatment plant. The loan is payable to the Department of Ecology; payments are due in equal semi-annual installments beginning October 31, 2019 and ending October 31, 2038, and includes interest at 2.4%. The principal balance at December 31, 2023 is \$13,963,521.

ESLLIC Consolidation Phase I

The proceeds of this loan were used for improvements to the former East Side Liberty Lake Improvement Club water system upon consolidation with the District. The loan is payable to the Washington State Department of Health; the payments are due in annual installments beginning October 01, 2019 and ending October 01, 2038, and includes interest at 1.0%. The principal balance at December 31, 2023 is \$377,607.

ESLLIC Consolidation Phase II

The proceeds of this loan were used for additional improvements to the former East Side Liberty Lake Improvement Club water system following consolidation with the District. The loan is payable to the Washington State Department of Health; the payments are due in annual installments beginning October 01, 2021 and ending October 01, 2043, and includes interest at 1.75%. The principal balance at December 31, 2023 is \$393,500. The District recognized loan forgiveness in 2023 in the amount of \$2,220,489.

Greenridge Consolidation

The proceeds of this loan were used for improvements to the former Greenridge HOA water system upon consolidation with the District. This loan is payable to the Department of Health; payments are due in annual installments beginning October 01, 2022 and ending October 01, 2043, and includes interest at 1.75%. The principal balance at December 31, 2023 is \$222,330.

Liberty-Melkapsi-Wright Water Main Replacement

The District was approved by the Public Works Board to receive a loan for a maximum of \$1,390,000 for water main replacements in Liberty Drive, Melkapsi Street, and Wright Boulevard. This loan is payable to the Department of Commerce; payments are due in annual installments beginning June 01 2024 and ending June 01 2043, and includes interest at 1.39%. The principal balance at December 31, 2023 is \$734,382.

Melkapsi-Wright-Mitchell-Taft Sewer Main Replacement

The District was approved by the Washington State Department of Ecology to receive a loan for a maximum of \$1,582,891 for the sewer main replacements in Melkapski Street, Wright Boulevard, Mitchell Avenue, and Taft Avenue. This loan is payable to the Washington State Department of Ecology; payments are due in annual installments beginning in 2025 and ending in 2044, and includes interest at 1.2%. The principal

balance at December 31, 2023 is \$0. Project completion is anticipated in 2024.

#### ESLLIC Consolidation Final Phase

The District was approved by the Washington State Department of Health to receive a loan for a maximum of \$1,065,150 for final improvements to the former East Side Liberty Lake Improvement Club water system, now consolidated with the District. The loan provides for 50% forgiveness. This loan is payable to the Department of Health; payments are due in annual installments beginning October 01, 2025 and ending October 01, 2048, and includes interest at 1.25%. The principal balance at December 31, 2023 is \$0. The project is currently in the design phase and construction is anticipated in 2024.

#### Kenny Well Field

The District was approved by the Washington State Department of Health to receive a loan for a maximum of \$3,073,430 for a new well and related improvements. This loan is payable to the Department of Health; payments are due in annual installments beginning October 01, 2025 and ending October 01, 2044, and includes interest at 2.25%. The principal balance at December 31, 2023 is \$0.

### **Note 5 - Pension Plans**

The District sponsors the Liberty Lake Sewer & Water District Retirement Plan, a defined contribution plan. All regular, full-time employees are eligible to participate. The District contributes 7.65% of compensation in lieu of Social Security and up to 10% of compensation as matching contributions. Employee contributions are voluntary. Retirement plan assets are always fully vested with the individual plan participants. For the year ended December 31, 2023, the District contributed \$112,692 in lieu of Social Security and \$140,672 matching contributions.

### **Note 6 - Risk Management**

Liberty Lake Sewer and Water District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. The Pool was formed on July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that apply to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits, and member deductibles/copays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
<b>Liability:</b>				
General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability <sup>(2)</sup>	Per Occurrence Pool Aggregate	\$500,000 \$1 million	None	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay <sup>(3)</sup>

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

**Property <sup>(2)</sup>:**

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery <sup>(3)</sup>	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) <sup>(4)</sup>	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
<b>Sublimit <sup>(5)</sup>:</b>				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool aggregate \$1.1 billion/per occurrence APIP program \$1.4 billion/APIP program aggregate	\$0
<b>Automobile Physical Damage<sup>(6)</sup></b>	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
<b>Crime Blanket <sup>(7)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Named Position <sup>(8)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
Cyber <sup>(9)</sup>	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement <sup>(10)</sup>	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled, and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sub-limit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/member's property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements above the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year. They must give notice 60 days before renewal to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

The Pool is governed by a Board of Directors comprising seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

#### **Note 7 – Subscription Based Information Technology Agreements (SBITA)**

During the year ended December 31, 2023, the District adopted guidance for the presentation and disclosure of subscription based information technology agreements (SBITA's), as required by the BARS manual. District policy defines a SBITA as a contract that conveys control of the District's right to use another party's IT software, alone or in combination with tangible capital assets for a period of time in excess of 12 months in an exchange or exchange-like transaction of at least \$5,000. SBITA's are not an integral part of the District's principal operations.

## Note 8 - Other Disclosures

### A. Contingencies and Litigation

The discharge permit for the water reclamation facility requires the District to participate in the Spokane River Regional Toxic Task Force, for which there are regular and continuing meetings and discussions. As of December 31, 2023, there is no estimate of the District's share of potential financial liability, if any, for this matter.

### B. Contingencies and Litigation

The District operates a water reclamation facility as a part of the District's sewer operations. Untreated sewage is collected then transported to the water reclamation facility for treatment before discharge to the Spokane River under the National Pollutant Discharge Elimination System (NPDES) permit issued by the Washington Department of Ecology (WA DOE). WA DOE issued a new permit number WA0045144 on June 30, 2022, to take effect August 1, 2022, for which the District filed an appeal on the grounds that the permit does not comply with the federal Clean Water Act and Washington's Water Pollution Control Act and Chapter 90.48 RCW. The District requested an immediate stay of the effectiveness of the permit pursuant to RCW 43.21B.320 and WAC 371-08-415. The Pollution control Hearing Board (PCHB) granted a partial stay. If the District is found to be out of compliance of the permit, the District may incur a fine upon criminal prosecution of up to \$10,000 per day of violation plus costs of prosecution and/or a civil penalty of up to \$10,000 per day of violation.

### C. Construction in Progress

The District has active construction projects as of December 31, 2023. At year-end, the District's commitments with contractors for these projects are as follows:

Project	Spent to Date	Remaining Commitment
Liberty-Melkapsi-Wright Water Main Replacement	\$627,215	\$438,939
Melkapsi-Wright-Mitchell-Taft Sewer Main Replacement	154,268	460,518
Administrative Office Renovation	1,184,943	56,828
<b>TOTAL:</b>	<b>\$1,966,426</b>	<b>\$956,285</b>

#### Liberty-Melkapsi-Wright Water Main Replacement

The District was approved by the Public Works Board to receive a loan for a maximum of \$1,390,000 for water main replacements in Liberty Drive, Melkapsi Street, and Wright Boulevard.

#### Melkapsi-Wright-Mitchel-Taft Sewer Main Replacement

The District was approved by the Washington State Department of Ecology to receive a loan for a maximum of \$1,582,891 for the sewer main replacements in Melkapski Street, Wright Boulevard, Mitchell Avenue, and Taft Avenue.

#### Administrative Office Renovation

The District utilized available fund balance for a small expansion and renovation of the administrative office building located at 22510 E Mission Avenue in Liberty Lake WA.

Liberty Lake Sewer and Water District No 1  
Notes to the Financial Statements  
For the Year Ended December 31, 2022

**Note 1 - Summary of Significant Accounting Policies**

Liberty Lake Sewer & Water District #1 (District) was incorporated on May 08, 1973 and operates under the laws of the state of Washington applicable to a water-sewer district. The District is a special purpose local government and provides water and sewer services.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting, and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenses. The District'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 District uses only the following fund type:

PROPRIETARY FUND TYPE:

Enterprise Funds

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

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 expenses are recognized when paid.

C. Cash & Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one (1) year. Capital assets are recorded as capital expenses when paid.

E. Compensated Absences

District employees may accrue various paid leave types during their employment, including vacation, sick, compensatory time, personal holiday, and paid time off (PTO). Payments of all paid leave types are recognized as expenses when paid.

- Vacation leave may be accumulated to a maximum of 240 hours and is payable upon separation.
- Non-exempt employees may elect to receive compensatory time (comp-time) in lieu of overtime or premium pay and exempt employees may elect to receive comp-time in lieu of premium pay. Comp-time may be accumulated to a maximum of 80 hours and is payable upon separation. Accumulation of comp-time beyond the 80 hour limit may be permitted at the General Manager's discretion.
- Personal holiday may be accumulated to a maximum of 16 hours and is not payable upon separation.
- Sick leave may be accumulated to a maximum of 480 hours and is not payable upon separation.
- Eligible employees may accrue PTO without limit. PTO is not payable upon separation.

F. Long-Term Debt

See Note 4, *Long-term Debt*.

G. Restricted and Committed Portions 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 resolution. When expenses that meet restrictions are incurred, the District intends to use the most restricted resources first.

District Resolutions 09-19 and 20-19 impose such internal commitments on fund balances pertaining to the East Side Liberty Lake Improvement Club Consolidation and the Greenridge HOA Water System Consolidation, respectively. As of December 31, 2022, the fund balances for both projects were zero.

## Note 2 - Deposits and Investments

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

Type of deposit or investment	District's own deposits and investments
Banner Bank Checking Account	\$148,499
Xpress Bill Pay	57,882
Spokane County Investment Pool (SCIP)	12,841,655
Local Government investment Pool (LGIP)	1,365,521
<b>Total</b>	<b><u>\$14,413,557</u></b>

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

Investments in Spokane County Investment Pool (SCIP)

The District is a voluntary participant in the Spokane County Investment Pool, an external investment pool operated by Spokane County. The pool is not rated and is not registered with the Securities and Exchange Commission (SEC). Rather, oversight is provided by the Spokane County Finance Committee in accordance with Chapter 36.48.070 RCW. Investments in the SCIP are reported at original cost. The SCIP does not impose any restrictions on participant withdrawals.

#### Investments in the State Local Government Investment Pool (LGIP)

The District 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 is not registered with the Securities and Exchange Commission (SEC). Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at original 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, WA 98504-0200 or online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District 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 District's deposits are covered by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC) or by Federal Depository Insurance (FDIC).

District investments in the Spokane County Investment Pool and Local Government Investment Pool are held by the Spokane County Treasurer and the Washington State Treasurer, respectively, for the benefit of the District.

### **Note 3 - Leases**

During the year ended December 31, 2022, the District adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. District policy defines a lease as a contract that conveys control of the District's right to use another entity's tangible, nonfinancial asset for a period of time in excess of 12 months in an exchange or exchange-like transaction of at least \$5,000. Leasing is not an integral part of the District's principal operations.

The District's future lease payment obligations are as follows:

	<u>Principal</u>
2023	\$1,980
2024	1,980
2025	1,485
Totals	<u>\$5,445</u>

Details of the District's lease agreements are as follows:

#### Canon Financial Services

The District entered into an agreement on September 23, 2020 for the lease of a multi-function copier. The term of the lease is 60 months; payments are due in equal monthly installments of \$165 beginning October 1, 2020 and ending September 30, 2025. The District does not intend to extend the lease at expiration. The principal balance at December 31, 2022 is \$5,445.

### **Note 4 - Long-Term Debt**

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

The debt service requirements for the District's revenue obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$1,269,535	\$404,248	\$1,673,783
2024	1,288,083	381,667	1,669,750
2025	937,635	358,635	1,296,270
2026	957,093	336,992	1,294,085
2027	977,023	314,875	1,291,898
2028-2032	5,201,406	1,225,269	6,426,675
2033-2037	5,777,405	594,590	6,371,995
2038-2042	1,673,291	84,927	1,758,218
2043-2047	409,042	17,600	426,642
Totals	<u>\$18,490,513</u>	<u>\$3,718,803</u>	<u>\$22,209,316</u>

Details of the District's debt instruments are as follows:

PWB Phase I

The proceeds of this loan were used for phase one of the upgrade to the District's wastewater treatment plant. The loan is payable to the Washington State Public Works Fund; payments are due in annual installments beginning July 01, 2005 and ending July 1, 2024, and includes interest at 0.5%. The principal balance at December 31, 2022 is \$738,889.

DOE Phase II Construction

The proceeds of this loan were used for construction of phase two of the upgrade to the District's wastewater treatment plant. The loan is payable to the Department of Ecology; payments are due in equal semi-annual installments beginning October 31, 2019 and ending October 31, 2038, and includes interest at 2.4%. The principal balance at December 31, 2022 is \$14,727,840.

ESLLIC Consolidation Phase I

The proceeds of this loan were used for improvements to the former East Side Liberty Lake Improvement Club water system upon consolidation with the District. The loan is payable to the Washington State Department of Health; the payments are due in annual installments beginning October 01, 2019 and ending October 01, 2038, and includes interest at 1.0%. The principal balance at December 31, 2022 is \$402,781.

ESLLIC Consolidation Phase II

The proceeds of this loan were used for additional improvements to the former East Side Liberty Lake Improvement Club water system following consolidation with the District. The loan is payable to the Washington State Department of Health; the payments are due in annual installments beginning October 01, 2021 and ending October 01, 2043, and include interest at 1.75%. The principal balance at December 31, 2022 is \$2,387,563. Loan terms provide for principal forgiveness of \$2,220,489. The District anticipates principal forgiveness with state grant revenue and debt principal repayment expense upon loan closing in 2023.

Greenridge Consolidation

The proceeds of this loan were used for improvements to the former Greenridge HOA water system upon consolidation with the District. This loan is payable to the Department of Health; payments are due in annual installments beginning October 01, 2022 and ending October 01, 2043, and includes interest at 1.75%. The principal balance at December 31, 2022 is \$233,446.

## Note 5 - Pension Plans

The District sponsors the Liberty Lake Sewer & Water District Retirement Plan, a defined contribution plan. All regular, full-time employees are eligible to participate. The District contributes 7.65% of compensation in lieu of Social Security and up to 10% of compensation as matching contributions. Employee contributions are voluntary. Retirement plan assets are always fully vested with the individual plan participants. For the year ended December 31, 2022, the District contributed \$98,551 in lieu of Social Security and \$92,288 matching contributions.

## Note 6 - Risk Management

Liberty Lake Sewer and Water District is a member of Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2022, there are 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: liability coverage, which includes General liability, Automobile liability, Public Officials Errors and Omissions liability, Terrorism liability, and Employment Practices liability; Property coverage, which includes Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution and Cyber coverage is provided on a "claims made" coverage form. Crime coverage is provided on a "discovery" form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
<b>Liability:</b>				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability <sup>(2)</sup>	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay <sup>(3)</sup>

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
<p>(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.</p> <p>(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.</p> <p>(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.</p> <p><b>Property <sup>(2)</sup>:</b></p>				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery <sup>(3)</sup>	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) <sup>(4)</sup>	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
<b>Sublimit <sup>(5)</sup>:</b>				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool aggregate \$1.1 billion/per occurrence APIP program \$1.4 billion/APIP program aggregate	\$0
<b>Automobile Physical Damage <sup>(6)</sup></b>	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$150,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
<b>Crime Blanket <sup>(7)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Named Position <sup>(8)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Cyber <sup>(9)</sup></b>	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
<b>Identity Fraud Expense Reimbursement <sup>(10)</sup></b>	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/Extra expense coverage is based on scheduled revenue generating locations/operations. A limited

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
	number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.			
(5)	This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.			
(6)	Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.			
(7)	Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.			
(8)	Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.			
(9)	Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.			
(10)	Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.			

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability amount the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Members file claims with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

## Note 7 - Other Disclosures

### A. Contingencies and Litigation

The discharge permit for the water reclamation facility requires the District to participate in the Spokane River Regional Toxic Task Force, for which there are regular and continuing meetings and discussions. As of December 31, 2022, there is no estimate of the District's share of potential financial liability, if any, for this matter.

B. Contingencies and Litigation

The District operates a water reclamation facility as a part of the District's sewer operations. Untreated sewage is collected then transported to the water reclamation facility for treatment before discharge to the Spokane River under the National Pollutant Discharge Elimination System (NPDES) permit issued by the Washington Department of Ecology (WA DOE). WA DOE issued a new permit number WA0045144 on June 30, 2022, to take effect August 1, 2022, for which the District filed an appeal on the grounds that the permit does not comply with the federal Clean Water Act and Washington's Water Pollution Control Act and Chapter 90.48 RCW. The District requested an immediate stay of the effectiveness of the permit pursuant to RCW 43.21B.320 and WAC 371-08-415. The Pollution control Hearing Board (PCHB) granted a partial stay. If the District is found to be out of compliance of the permit, the District may incur a fine upon criminal prosecution of up to \$10,000 per day of violation plus costs of prosecution and/or a civil penalty of up to \$10,000 per day of violation.

C. Construction in Progress

The District has active construction projects as of December 31, 2022. At year-end, the District's commitments with contractors for these projects are as follows:

Project	Spent to Date	Remaining Commitment
East Side Liberty Lake Improvement Club Consolidation	\$1,100,749	\$53,796
TOTAL:	<u>\$1,100,749</u>	<u>\$53,796</u>

East Side Liberty Lake Improvement Club Consolidation

The District was approved by the Washington State Department of Health, Office of Drinking Water to receive a loan for a maximum of \$2,660,500 for consolidation related water system improvements.

**Liberty Lake Sewer and Water District No 1**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2023**

<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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		84,662	25,243	-	109,905
263.57	Leases - Canon	9/30/2025	5,445	-	1,980	3,465
263.84	Department of Health DWL23668 2017 (ESLLICI)	10/1/2038	402,781	-	25,174	377,607
263.84	Department of Ecology WQC-2016-LibWSD00091 2015 (WRFII)	10/31/2038	14,727,840	-	764,319	13,963,521
263.84	Department of Health DWL24032 2018 (GR)	10/1/2043	233,446	-	11,116	222,330
263.84	Department of Health DWL24030 20185 (ESLLICII)	10/1/2045	2,387,563	246,050	2,240,113	393,500
263.88	PWB Department of Community, Trade, & Economic Development PW -04-691-041 2005 (WRFI)	7/1/2024	738,889	-	369,444	369,445
263.88	Public Works Board Construction PC23-96103-133 2023 (Water Melkapsi)	7/1/2045	-	734,382	-	734,382
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>18,580,626</b>	<b>1,005,675</b>	<b>3,412,146</b>	<b>16,174,155</b>
<b>Total Liabilities:</b>			<b>18,580,626</b>	<b>1,005,675</b>	<b>3,412,146</b>	<b>16,174,155</b>

**Liberty Lake Sewer and Water District No 1**  
**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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		92,177	-	7,515	84,662
263.84	Department of Health DWL23668 - 2017	10/1/2038	427,955	-	25,174	402,781
263.84	Department of Ecology WQC-2016-LibWSD00091 2015	10/31/2038	15,474,052	-	746,212	14,727,840
263.84	Department of Health DWL24032 2018	10/1/2043	284,007	-	50,561	233,446
263.84	Department of Health DWL24030 2018	10/1/2045	2,031,374	370,965	14,776	2,387,563
263.88	PWB Department of Community, Trade, & Economic Development PW -04-691-041 2005	7/1/2024	1,108,333	-	369,444	738,889
263.57	Canon Financial Services	9/30/2025	7,425	-	1,980	5,445
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>19,425,323</b>	<b>370,965</b>	<b>1,215,662</b>	<b>18,580,626</b>
<b>Total Liabilities:</b>			<b>19,425,323</b>	<b>370,965</b>	<b>1,215,662</b>	<b>18,580,626</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.

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

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

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

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

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

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