



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# City of Lake Stevens

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

*Published December 23, 2024*  
Report No. 1036349



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## Office of the Washington State Auditor Pat McCarthy

December 23, 2024

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

### **Report on Financial Statements**

Please find attached our report on the City of Lake Stevens financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

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## TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	4
Independent Auditor's Report on the Financial Statements.....	7
Financial Section.....	11
About the State Auditor's Office.....	35

## 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 Lake Stevens January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Lake Stevens  
Lake Stevens, 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 Lake Stevens, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 18, 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.

## **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, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

December 18, 2024

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### **City of Lake Stevens January 1, 2023 through December 31, 2023**

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

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

#### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Lake Stevens, as of and for the year ended December 31, 2023, 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 Lake Stevens, and its changes in cash and investments, for the year ended December 31, 2023, 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 Lake Stevens, as of December 31, 2023, 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.

## **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 December 18, 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.



Pat McCarthy, State Auditor

Olympia, WA

December 18, 2024

## **FINANCIAL SECTION**

### **City of Lake Stevens January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023  
Notes to Financial Statements – 2023

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

Schedule of Liabilities – 2023

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>101 Street</b>	<b>111 Drug Seizure &amp; Forfeiture</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	62,246,390	25,047,437	2,541,260	53,353
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	20,871,112	15,218,544	2,243,603	-
320	Licenses and Permits	1,803,924	1,752,924	51,000	-
330	Intergovernmental Revenues	4,840,512	1,234,632	869,168	-
340	Charges for Goods and Services	7,727,358	464,415	1,721	-
350	Fines and Penalties	105,042	105,042	-	-
360	Miscellaneous Revenues	3,424,588	1,571,569	127,737	30,224
Total Revenues:		38,772,536	20,347,126	3,293,229	30,224
<b>Expenditures</b>					
510	General Government	6,629,591	6,204,471	-	-
520	Public Safety	9,021,229	9,012,791	-	8,438
530	Utilities	3,439,487	-	-	-
540	Transportation	2,683,414	-	2,683,414	-
550	Natural/Economic Environment	2,697,236	2,667,236	-	-
560	Social Services	44,045	44,045	-	-
570	Culture and Recreation	2,295,156	2,243,275	-	-
Total Expenditures:		26,810,158	20,171,818	2,683,414	8,438
Excess (Deficiency) Revenues over Expenditures:		11,962,378	175,308	609,815	21,786
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,042,853	67,556	71,711	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389,	Other Resources	325,179	37,822	43,648	53
395, 398					
Total Other Increases in Fund Resources:		2,368,032	105,378	115,359	53
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	4,360,116	193,551	150,359	-
591-593, 599	Debt Service	2,488,773	8,450	-	-
597	Transfers-Out	2,042,853	58,203	492,700	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	260,581	36,362	47,067	-
Total Other Decreases in Fund Resources:		9,152,323	296,566	690,126	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>5,178,087</b>	<b>(15,880)</b>	<b>35,048</b>	<b>21,839</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	21,611,778	245,309	15,892	69,972
50841	Committed	134,893	-	-	-
50851	Assigned	20,891,558	-	2,560,416	5,220
50891	Unassigned	24,786,248	24,786,248	-	-
<b>Total Ending Cash and Investments</b>		<b>67,424,477</b>	<b>25,031,557</b>	<b>2,576,308</b>	<b>75,192</b>

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

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>112 Municipal Arts</b>	<b>120 Transportation Benefit</b>	<b>210 LTGO 2008A Bond</b>	<b>213 2015 LTGO Bond (Ref)</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	9,836	-	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	938,567	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	107	14,791	-	-
Total Revenues:		107	953,358	-	-
<b>Expenditures</b>					
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:		107	953,358	-	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	210,655	96,302
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389,	Other Resources	-	-	-	-
395, 398		-	-	-	-
Total Other Increases in Fund Resources:		-	-	210,655	96,302
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	9,943	-	-	-
591-593, 599	Debt Service	-	-	210,655	96,302
597	Transfers-Out	-	46,464	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		9,943	46,464	210,655	96,302
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(9,836)</b>	<b>906,894</b>	<b>-</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	892,103	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	14,791	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>906,894</b>	<b>-</b>	<b>-</b>

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

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>214 2019A LTGO Bond - PD</b>	<b>215 2021A LTGO Bond</b>	<b>301 Cap Proj - Dev Contrib - Traffic</b>	<b>302 Park Mitigation Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	-	-	4,949,477	1,910,487
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	333	5,000
340	Charges for Goods and Services	-	-	636,844	654,113
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	244,834	141,127
Total Revenues:		-	-	882,011	800,240
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	51,881
Total Expenditures:		-	-	-	51,881
Excess (Deficiency) Revenues over Expenditures:		-	-	882,011	748,359
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	462,229	609,800	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389,	Other Resources	-	-	-	16,014
395, 398		-	-	-	-
Total Other Increases in Fund Resources:		462,229	609,800	-	16,014
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	23,419	397,976
591-593, 599	Debt Service	462,229	609,800	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		462,229	609,800	23,419	397,976
<b>Increase (Decrease) in Cash and Investments:</b>		-	-	858,592	366,397
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	4,995,256	2,020,605
50841	Committed	-	-	-	134,893
50851	Assigned	-	-	812,813	121,386
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		-	-	5,808,069	2,276,884

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

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>303 Real Estate Excise Tax I</b>	<b>304 Real Estate Excise Tax II</b>	<b>305 Downtown Redevelopment</b>	<b>306 Facility Capital Project Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	6,916,529	6,542,060	503,493	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,238,185	1,232,213	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	189,423	-	125,240
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	313,800	289,573	23,186	109
Total Revenues:		1,551,985	1,711,209	23,186	125,349
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	125,690
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	125,690
Excess (Deficiency) Revenues over Expenditures:		1,551,985	1,711,209	23,186	(341)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	12,500
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389,	Other Resources	-	20,773	-	-
395, 398		-	-	-	-
Total Other Increases in Fund Resources:		-	20,773	-	12,500
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	40,269	1,181,659	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	769,186	609,800	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	2,987	-	-
Total Other Decreases in Fund Resources:		809,455	1,794,446	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>742,530</b>	<b>(62,464)</b>	<b>23,186</b>	<b>12,159</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,255,701	6,115,327	-	-
50841	Committed	-	-	-	-
50851	Assigned	403,358	364,269	526,679	12,159
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>7,659,059</b>	<b>6,479,596</b>	<b>526,679</b>	<b>12,159</b>

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

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>307 Infrastructure Capital Project</b>	<b>309 Sidewalk Capital Project</b>	<b>401 Sewer</b>	<b>410 Storm &amp; Surface Water</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	6,204,561	720,865	19,105	4,902,175
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,510,094	53,210	799,393	54,019
340	Charges for Goods and Services	17,851	-	56,454	4,947,045
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	312,212	25,029	4,365	240,601
Total Revenues:		1,840,157	78,239	860,212	5,241,665
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	3,313,797
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	30,000
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	3,343,797
Excess (Deficiency) Revenues over Expenditures:		1,840,157	78,239	860,212	1,897,868
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	492,700	-	19,400
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389,	Other Resources	-	-	-	64,366
395, 398		-	-	-	-
Total Other Increases in Fund Resources:		-	492,700	-	83,766
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	889,873	704,956	-	171,323
591-593, 599	Debt Service	-	-	799,393	231,263
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	174,165	-	-	-
Total Other Decreases in Fund Resources:		1,064,038	704,956	799,393	402,586
<b>Increase (Decrease) in Cash and Investments:</b>		<b>776,119</b>	<b>(134,017)</b>	<b>60,819</b>	<b>1,579,048</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	1,613
50841	Committed	-	-	-	-
50851	Assigned	6,980,680	586,848	79,924	6,479,610
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>6,980,680</b>	<b>586,848</b>	<b>79,924</b>	<b>6,481,223</b>

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

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>501 Unemployment</b>	<b>510 Capital Equip - Computer</b>	<b>515 Capital Equip - Vehicle Replac</b>	<b>520 Capital Equip - Police</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	29,910	477,491	71,944	786,444
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	25,000	366,915	20,000	337,000
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,554	16,878	3,834	34,296
Total Revenues:		26,554	383,793	23,834	371,296
<b>Expenditures</b>					
510	General Government	17,055	408,065	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		17,055	408,065	-	-
Excess (Deficiency) Revenues over Expenditures:		9,499	(24,272)	23,834	371,296
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389,	Other Resources	-	-	-	74,063
395, 398		-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	74,063
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	55,270	-	465,666
591-593, 599	Debt Service	-	10,000	-	-
597	Transfers-Out	-	66,500	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	131,770	-	465,666
<b>Increase (Decrease) in Cash and Investments:</b>		<b>9,499</b>	<b>(156,042)</b>	<b>23,834</b>	<b>(20,307)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	39,409	321,449	95,778	766,137
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>39,409</b>	<b>321,449</b>	<b>95,778</b>	<b>766,137</b>

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

**City of Lake Stevens**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

<b>530 Capital Equip - PW</b>		
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	559,963
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	200,000
350	Fines and Penalties	-
360	Miscellaneous Revenues	<u>28,762</u>
Total Revenues:		228,762
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	<u>-</u>
Total Expenditures:		<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		228,762
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389,	Other Resources	68,440
395, 398		<u>-</u>
Total Other Increases in Fund Resources:		68,440
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	75,852
591-593, 599	Debt Service	60,681
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	<u>-</u>
Total Other Decreases in Fund Resources:		136,533
<b>Increase (Decrease) in Cash and Investments:</b>		<b>160,669</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	720,632
50891	Unassigned	<u>-</u>
<b>Total Ending Cash and Investments</b>		<b>720,632</b>

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

**City of Lake Stevens**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Custodial</b>
308	Beginning Cash and Investments	741
388 & 588	Net Adjustments	-
310-390	Additions	212,460
510-590	Deductions	<u>210,080</u>
	Net Increase (Decrease) in Cash and Investments:	2,380
508	Ending Cash and Investments	3,121

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

**City of Lake Stevens  
Notes to the Financial Statements  
For the year ended December 31, 2023**

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

The City of Lake Stevens was incorporated in 1960 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of government. The city is a general purpose local government and provides public safety, street improvements, parks, storm water utility, and general administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see Note 5 – *Component Unit(s), Joint Ventures, and Related Parties*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different to the ending net position classification in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

These funds account for the financial resources that are restricted, committed, or assigned to

expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 an agent on behalf of others.

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement. Sick leave may be accumulated up to 1,168 hours. Non-represented employees retiring or resigning in good standing may convert accrued and unused sick leave into a post-separation health reimbursement arrangement (HRA) plan based on years of service and accumulated sick leave as shown below. Payments are recognized as expenditures when paid.

- Employees with 5 years of consecutive service to the City may convert 10%, up to a max of 48 hours of available sick leave.
- Employees with 7 years of consecutive service to the City may convert 15%, up to a max of 101 hours of available sick leave.

- Employees with 10 years of consecutive service to the City may convert 25%, up to a max of 292 hours of available sick leave.

Full time represented law enforcement employees, upon honorable retirement or death, may cash out up to 720 hours of sick leave at a rate of 25%.

Full time represented public works and parks employees, 24 months prior to retirement, may convert sick days in excess of 60 days into vacation at one day per 4 days.

F. Long-Term Debt

See Note 8, *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments by ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments Consist of:

- \$6,650 in the General Fund are restricted as the resources are held for retainage or refundable deposits for other businesses or individuals.
- \$77,835 in the General Fund are restricted as the resources and uses are externally restricted by the City's franchise authority contract.
- \$122,968 in the General Fund are restricted as the resources and uses are externally restricted by RCW 82.14.540.
- \$15,671 in the General Fund are restricted as the resources are unspent Use of Force Grant funding provided by the Washington Criminal Justice Training Commission.
- \$16 in the General Fund are restricted as the resources are unspent Office of Public Defender Grant funding.
- \$17,169 in the General Fund are restricted as the resources are unspent opioid settlement funds.
- \$5,000 in the General Fund are restricted as the resources are unspent donated funds to be used for specified purposes.
- \$15,892 in the Street Fund are restricted as the resources are held for retainage for other businesses.
- \$69,972 in the Drug Seizure and Forfeiture Fund are restricted as all resources and uses are externally restricted by RCW 69.50.505.
- \$892,103 in the Transportation Benefit Fund are restricted as the resources are externally restricted by RCW 36.73.
- \$4,995,256 in the Capital Project Developer Contribution Fund are restricted as all resources and uses are externally restricted by RCW 82.02.
- \$2,004,592 in the Park Mitigation Fund are restricted as all resources and uses are externally restricted by RCW 82.02 and \$16,013 are restricted as all resources are held for retainage for other businesses. \$134,893 is internally committed by LSCMC 14.76.
- \$7,255,701 in the Real Estate Excise Tax I Fund are restricted as all resources and uses are externally restricted by RCW 82.46.
- \$6,094,555 in the Real Estate Excise Tax II Fund are restricted as all resources and uses are externally restricted by RCW 82.46 and \$20,772 are restricted as all resources are held for

retainage for other businesses.

- \$1,613 in the Storm & Surface Water Fund are restricted as all resources are held for retainage for other businesses.

### **Note 2 – Budget Compliance**

The City adopts annual appropriated budgets for governmental, proprietary, and fiduciary 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.

The City budget contains managerial funds. For the purpose of financial statement presentation, the managerial funds are consolidated and, in such cases, interfund activity has been eliminated. Funds that have been consolidated in the financial statements include the Contingency Reserve Fund, the Permitting Fund, and the Pandemic Recovery Fund with the General Fund; and the Storm Water Capital and the Storm Water Debt Service Funds within the Storm & Surface Water Fund.

Most debt service and capital fund budget requirements are met by the continuing appropriation contained in the enabling legislation.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General	\$26,612,332	\$22,246,324	\$4,366,008
Street	\$3,704,477	\$3,373,539	\$330,938
Drug Seizure & Forfeiture	\$25,000	\$8,438	\$16,562
Municipal Arts	\$9,210	\$9,943	(\$733)
Transportation Benefit	\$590,769	\$46,464	\$544,305
LTGO 2008A Bond	\$210,605	\$210,655	(\$50)
2015 LTGO Bond (Ref)	\$96,938	\$96,302	\$636
2019A LTGO Bond - PD	\$462,129	\$462,229	(\$100)
2021A LTGO Bond - 17005	\$609,850	\$609,800	\$50
Cap Proj-Dev Contrib-Traffic	\$1,793,999	\$23,420	\$1,770,579
Park Mitigation Fund	\$2,061,903	\$449,856	\$1,612,047
Real Estate Excise Tax I	\$884,672	\$809,454	\$75,218
Real Estate Excise Tax II	\$4,265,425	\$1,794,447	\$2,470,978
Facility Capital Project	\$258,000	\$125,690	\$132,310
Infrastructure Capital Project	\$8,494,277	\$1,064,038	\$7,430,239
Sidewalk Capital Project	\$1,568,387	\$704,957	\$863,430
Sewer	\$799,394	\$799,393	\$1
Storm & Surface Water	\$5,733,064	\$5,465,968	\$267,096
Storm Water Capital	\$632,034	\$170,416	\$461,618
Storm Water Debt Service	\$231,264	\$231,263	\$1
Unemployment	\$15,000	\$17,055	(\$2,055)
Capital Equip - Computer	\$676,754	\$539,834	\$136,920
Capital Equip - Vehicle Replac	\$0	\$0	\$0
Capital Equip - Police	\$814,242	\$465,666	\$348,576

Capital Equip - PW	\$462,833	\$136,532	\$326,301
Treasurer's Trust	\$391,621	\$210,079	\$181,542

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 COVID-19. Precautionary measures to slow the spread of the virus continued through 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The City of Lake Stevens received Coronavirus Local Fiscal Recovery Funds totaling \$9,475,433. The first payments received in 2021 totaled \$4,737,716, and a final payment of \$4,737,717 was received in 2022, both increasing the General Fund balance.

By resolution, the City elected the “standard allowance” for lost revenues authorized by the Treasury final rule implementing the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund, in the full amount of the grant distribution to the City, to be used for the provision of government services, specifically staff salaries and benefits in the General Fund. Most of the grant expenditures were claimed in 2022.

The city of Lake Stevens does not expect this emergency will impact future revenues and expenditures for the city. The City of Lake Stevens has adequate fund balance to cover the financial impacts of this pandemic and does not expect a change in service level to citizens.

### **Note 4 – Deposits and Investments**

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

Type of Investment	City's own deposits and investments	Deposits and Investments held by City as a custodian for other local governments, individual or private organizations.	Total
Bank deposits	\$4,118,404	\$3,121	\$4,121,525
L.G.I.P.	\$63,306,073	\$0	\$63,306,073
<b>Total</b>	<b>\$67,424,477</b>	<b>\$3,121</b>	<b>\$67,427,598</b>

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

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

The city is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather,

oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the 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.

The amounts reported as cash and investments also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average monthly compensating balance during 2023 was \$1,072,259.

#### **Note 5 - Component Unit(s), Joint Ventures, and Related Parties**

##### **AHA – Alliance for Housing Affordability:**

In September 2013, the City of Lake Stevens joined the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May 2014 to add the City of Arlington and in June 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County (HASCO). Fiscal agent duties were transferred to HASCO during fiscal year 2018. The values included in the table below were audited and updated by the new fiscal agent and may be different than what was reported in prior years.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first few years of organizational start-up. The City of Lake Stevens' equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	Lake Stevens' Share of Budget	Lake Stevens' Share as % of Total AHA Budget
<b>2014</b>	\$89,849	\$1,682	1.87%
<b>2015</b>	\$93,063	\$1,732	1.86%

<b>2016</b>	<b>\$93,652</b>	<b>\$1,726</b>	<b>1.84%</b>
<b>2017</b>	<b>\$97,934</b>	<b>\$2,569</b>	<b>2.62%</b>
<b>2018</b>	<b>\$102,586</b>	<b>\$2,836</b>	<b>2.76%</b>
<b>2019</b>	<b>\$107,391</b>	<b>\$3,112</b>	<b>2.90%</b>
<b>2020</b>	<b>\$112,408</b>	<b>\$3,342</b>	<b>2.97%</b>
<b>2021</b>	<b>\$117,673</b>	<b>\$3,402</b>	<b>2.89%</b>
<b>2022</b>	<b>\$118,200</b>	<b>\$3,421</b>	<b>2.89%</b>
<b>2023</b>	<b>\$135,522</b>	<b>\$3,845</b>	<b>2.84%</b>
<b>2024</b>	<b>\$157,674</b>	<b>\$5,312</b>	<b>3.37%</b>

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4<sup>th</sup> Ave W, Everett WA 98204 (email: [pfrost@hasco.org](mailto:pfrost@hasco.org)) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4<sup>th</sup> Ave W, Everett WA 98204.

#### Joint Ventures – Snohomish County 911 (SNO911)

The City and other Police and Fire entities jointly operate SNOHOMISH COUNTY 911. SNOHOMISH COUNTY 911, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOHOMISH COUNTY 911 is with a 16 member Board of Directors which is specified in the Interlocal Agreement. SNOHOMISH COUNTY 911 takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties of this Agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five (5) years bears to the total of all then remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expenses and charges validly incurred, the City's share was \$569,675 on December 31, 2023.

Snohomish County 911's 2023 operating budget was \$28,409,308, operating revenues received were \$29,310,607 and total operating expenditures were \$27,824,076. Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

#### Joint Ventures – AWC Employee Benefit Trust

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined

together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2023, 264 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows

applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

#### **Note 6 – Leases (Lessees)**

The City leases 3 copiers from Canon ranging from \$212 to \$262 a month under a 5-year lease agreement with rotating end dates. The City does not have the right to cancel the original term length of the lease agreements. The City may choose to extend the leases on a month-to-month basis after the original lease or return the products to Canon.

The City leases a postage machine from Pitney Bowes in the amount of \$203 quarterly under a 5-year lease agreement. The City does not have the right to cancel the original term length of the lease agreement.

The City leases 10 vehicles from Enterprise Fleet Management ranging from \$519 to \$1,150 a month under a 5-year lease agreement with rotating end dates. The Lessor has the right to cancel any or all leases in the event of default with the City needing to pay portions of the remaining fees.

The total amount paid for leases in 2023 was \$69,131. As of December 31, 2023 the future lease payments are as follows:

Year ended December 31	Total
2024	\$ 102,260
2025	\$ 101,645
2026	\$ 100,798
2027	\$ 96,776
2028	\$ 35,124
Total	\$ 436,603

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

During the year ended December 31, 2023, the City adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the Schedule of Liabilities

The City makes subscription payments \$10,000 per year for asset maintenance software. The SBITA contract is for 5 years and includes the option to extend the contract for successive one-year periods.

The total amount paid for SBITAs in 2023 was \$10,000. As of December 31, 2023, the future SBITA payments are as follows:

Year ended December 31	Total
2024	10,000
2025	10,000
2026	10,000
Total	30,000

### **Note 8 – Long-Term Debt**

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

The debt service requirements for general obligation bonds, revenue bonds, installment purchases, public work and capital loans are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$1,743,309	\$589,120	\$2,332,429
2025	\$1,680,162	\$557,025	\$2,237,187
2026	\$1,549,798	\$527,247	\$2,077,046
2027	\$1,170,259	\$500,056	\$1,670,315
2028	\$1,126,734	\$473,755	\$1,600,490
2029-2033	\$4,908,672	\$2,002,378	\$6,911,050
2034-2038	\$5,468,672	\$1,407,830	\$6,876,502
2039-2043	\$2,785,000	\$736,050	\$3,521,050
2044-2048	\$1,975,000	\$332,000	\$2,307,000
2049	\$445,000	\$17,800	\$462,800
<b>Totals</b>	<b>\$22,852,607</b>	<b>\$7,143,262</b>	<b>\$29,995,869</b>

The City of Lake Stevens and the Lake Stevens Sewer District entered into a Unified Sewer Services and Annexation Agreement on the 23rd day of May 2005 that was subsequently implemented January 1, 2006. This agreement called for a transfer of the City System to the District after which the District shall own, operate and maintain the entire wastewater collection, conveyance, treatment and discharge system in the UGA (Urban Growth Area). The agreement also provides for the ultimate transfer of the Unified Sewer System from the District to the City at a future date.

As part of this agreement, the District agreed to transfer to the City all funds necessary for the Public Work Trust Fund Loan No. PW02-691-029 and the City Sewer utility's share of the 1997 General Obligation Bonds which the City has refunded with the 2008 LTGO Bonds. Additionally, the City had acquired three Public Work Trust Fund Loans for the design and construction of the new Treatment Plant. The District agreed to transfer to the City all funds necessary for the payment of the principal and interest of these loans.

Additionally, the Lake Stevens Sewer District requested to have \$6.6 million of a 2008 Public Works Trust Fund Loan (PWTF), held by the City of Lake Stevens, refinanced. The refinancing extended the 2008 PWTF loan maturity from 2028 to 2038, reducing annual debt service payments. The new principle and interest amounts began on July 1<sup>st</sup>, 2017.

During 2022, the Lake Stevens Sewer District fully paid and satisfied the obligations of the Public Work Trust Fund Loan No. PW02-691-029 and the Sewer District's share of the 2008 LTGO Bonds.

The total future debt service requirements owed to the City by the Sewer District as of December 31, 2023, are approximately \$6,056,383.

### **Note 9 – Pension Plans**

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

Substantially all 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) and 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

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

At June 30, 2023, the city's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$272,902	0.040048%	\$914,189
PERS 2/3	\$453,885	0.051624%	\$(2,115,904)
LEOFF 2	\$196,549	0.087078%	\$(2,088,651)

Only the net pension liabilities are reported on the Statement of Liabilities.

#### LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### **B. Defined Contribution Pension Plans –**

The City also contributes funds to other defined contribution pension plans as documented in employee agreements. In 2022, the City also established a matching program for eligible employees to City approved defined contribution plans.

The City made the following contributions in 2023 per employee agreements:

Plan Administrator	Plan Benefit Terms	Employer Contributions (as a percentage)	Employee Contributions	Employer contribution amount for Fiscal Year 2023
Nationwide Deferred Compensation	Employer will contribute 5.23% of the employee's salary into an approved 457(b) plan per employment agreement.	5.30%	Varies	\$ 10,076
ICMA Deferred Compensation	Employer will contribute 5% of the employee's salary into an approved 457(b) plan per employment agreement.	5.00%	Varies	\$ 11,607

The City made the following matching contributions in 2023:

Plan Administrator	Plan Benefit Terms	Employer Contributions (as a percentage)	Employee Contributions	Employer contribution amount for Fiscal Year 2023
Nationwide Deferred Compensation	Employer will match up to 1% of the employee's base salary into an approved 457(b) plan.	1.00%	Varies	\$ 9,361
ICMA Deferred Compensation	Employer will match up to 1% of the employee's base salary into an approved 457(b) plan.	1.00%	Varies	\$ 2,063
WA State DRS Deferred Compensation	Employer will match up to 1% of the employee's base salary into an approved 457(b) plan.	1.00%	Varies	\$ 25,446

#### **Note 10 - 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	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

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

The City's regular levy for the year 2023 was \$0.7222 per \$1,000 on an assessed valuation of \$8,680,217,564 for a total regular levy of \$6,268,629.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

#### **Note 11 – Risk Management**

##### **Liability Insurance – Risk Pool**

The City of Lake Stevens is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 members.

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

#### State Unemployment Compensation – Self-Insured

The City of Lake Stevens uses the "in-lieu contribution" basis for making payments to the Department of Employment Services (DES). Under this option, the DES pays the unemployment claims, and then bills the City for reimbursement. The City has created a reserve utilizing an internal service fund, by receiving periodic cash contributions from the General, Street, and Surface Water Funds based on estimates of future unemployment claims. The balance in the fund at year end 2023, was \$39,409, and \$17,055 was paid in unemployment claims during 2023.

## **Note 12 - Subsequent Events**

**New Debt:** On January 9, 2024, the City Council adopted Ordinance No. 1176, authorizing the issuance and sale of not to exceed \$10,200,000 Limited Tax General Obligation Bonds to provide funds to pay (a) the costs of the development of a City Hall complex and other administrative office space, including the acquisition of certain real property (including existing buildings and parking facilities located thereon) and undertaking certain improvements, construction, renovation, and rehabilitation of a City Hall complex and improvements; (b) the costs of designing, constructing, renovating, or improving facilities for use as a historical museum; (c) other capital improvements; and (d) the costs of issuance and sale of the bonds. A bond purchase agreement was signed February 28, 2024, in the amount of \$9,610,000. The all-in true interest cost (TIC) is 4.02% with final maturity occurring on December 1, 2053. Debt service payments will be made from commercial rental receipts and Real Estate Excise Tax funds.

**Acquisition:** In March of 2024, the City purchased a City Hall complex using a portion of the bond proceeds in the amount of \$7.2 million

**Sewer District Assumption Trial:** The City and the Lake Stevens Sewer District are scheduled for a trial hearing in the first half of fiscal year 2025. If the results are in the City's favor, the City is likely to assume the Sewer District at some point in 2025. This would lead to the City owning and operating the Sewer District as a separate fund in the financial statements.

**Costco Payment:** The City and Costco entered into a developer agreement in fiscal year 2019. Provisions in the agreement called for cost sharing of certain infrastructure improvements. The work was to be performed by Costco and the City would pay to Costco, a proportionate share of those costs. Although Costco opened in 2022, the offsite project was not substantially completed until 2023. The City and Costco are in final reconciliation discussions to determine the City's total allocated costs. The estimated amount owed by the City to fulfil the developer agreement is approximately \$10 million.

**City of Lake Stevens  
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>General Obligation Debt/Liabilities</b>						
251.11	G.O. and Refunding Bonds (2008 A)	12/1/2028	1,105,000	-	165,000	940,000
251.11	G.O. Refunding Bonds (2015)	12/1/2023	95,000	-	95,000	-
251.11	G.O. Bond (2019)	12/1/2024	193,000	-	127,000	66,000
251.11	G.O Bond (2019A-1)	10/1/2049	6,320,000	-	-	6,320,000
251.11	G.O Bond (2019A-2)	10/1/2029	1,385,000	-	190,000	1,195,000
251.11	G.O. Bond (2021)	12/1/2040	8,345,000	-	355,000	7,990,000
263.51	Axon Body Worn Cameras		-	342,621	68,524	274,097
263.51	Axon Taser		33,600	-	16,800	16,800
263.56	Canon Lease		25,652	-	7,640	18,012
263.56	Pitney Bowes Lease		3,244	-	811	2,433
263.56	Enterprise Lease		-	476,839	60,681	416,158
263.56	Subscription Based IT Arrangements		40,000	-	10,000	30,000
263.96	Vactor LOCAL program (2020)	6/1/2025	279,458	-	88,647	190,811
263.87	Public Works Trust Fund Loan (2005)	7/1/2025	157,895	-	52,632	105,263
263.87	Public Works Trust Fund Loan (2006)	7/1/2026	1,638,158	-	409,540	1,228,618
263.87	Public Works Trust Fund Loan (2008)	7/1/2038	4,827,751	-	301,734	4,526,017
<b>Total General Obligation Debt/Liabilities:</b>			<b>24,448,758</b>	<b>819,460</b>	<b>1,949,009</b>	<b>23,319,209</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		961,558	-	27,781	933,777
264.30	Pension Liability		942,954	-	28,765	914,189
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,904,512</b>	<b>-</b>	<b>56,546</b>	<b>1,847,966</b>
<b>Total Liabilities:</b>			<b>26,353,270</b>	<b>819,460</b>	<b>2,005,555</b>	<b>25,167,175</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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