CITY COUNCIL MEETING AGENDA

City of Lake Stevens Vision Statement

By 2030, we are a sustainable community around the lake with a vibrant economy, unsurpassed infrastructure and exceptional quality of life.

January 17, 2023 - 6:00 PM

TWO WAYS TO PARTICIPATE:

In Person: The Mill, Sawyers Room, 1808 Main Street, Lake Stevens, Washington.

OR Join Zoom Meeting: https://us02web.zoom.us/j/83896628208

or call in at (253) 215-8782 Meeting ID 83896628208

1. **Call to Order**
2. **Discussion Items**

A.	Audit Exit Conference	Barb Stevens, Matthew Heist
B.	City Council Do's and Don'ts - Washington Cities Insurance Authority	Ann Bennett, Executive Director
C.	Council Liasion Feedback	Russ Wright
D.	Draft Agenda for January 24, 2023 (Will be handed out at the meeting)	

3. **Adjourn**

THE PUBLIC IS INVITED TO ATTEND

The City of Lake Stevens strives to provide accessible opportunities for individuals with disabilities. Please contact Human Resources, City of Lake Stevens ADA Coordinator, (425) 622-9400, at least five business days prior to any City meeting or event if any accommodations are needed. For TDD users, please use the state's toll-free relay service, (800) 833-6384, and ask the operator to dial the City of Lake Stevens City Hall number.

NOTICE: All proceedings of this meeting are audio recorded, except Executive Sessions.

CITY COUNCIL STAFF REPORT

Agenda Date: 1/17/2023

Subject: Audit Exit Conference

Contact Person/Department: Barb Stevens, Matthew Heist, Finance

Budget Impact: N/A

Legal Review: No

RECOMMENDATION(S)/ACTION REQUESTED:
N/A

SUMMARY/BACKGROUND:
The Washington State Auditor's Office conducted their annual financial statement audit for fiscal year 2021. They will be presenting the final results to speak on the clean audit we received.
Presenters: Erika Davies, Audit Supervisor
Miranda Shales, Audit Lead

APPLICABLE CITY POLICIES:

ATTACHMENTS:
1. City of Lake Stevens Exit Conference Packet

Exit Conference: City of Lake Stevens

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Financial statement audit for January 1, 2021 through December 31, 2021 – see draft report.

Audit Highlights

We'd like to thank Barbara Stevens, Finance Director and Matthew Heist, Finance Manager for their helpfulness and assistance during the audit. Both were very quick to respond to any questions, which helped make the audit a quick process.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or noncompliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Financial Statement Audit Communication

We would like to bring the following to your attention:

- We didn't identify any material misstatements during the audit.
- There were no uncorrected misstatements in the audited financial statements.
- The audit addressed the following risks, which required special consideration:
    - Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at https://portal.sao.wa.gov/SAOPortal.

Management Representation Letter

We have included a copy of representations requested of management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be $17,500 and actual audit costs will be approximately $2,500 less than that amount due to travel savings from conducting a remote audit.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in Fall 2023 and will cover the following general areas:

- Accountability for public resources
- Financial statement
- Attestation engagement – Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

The estimated cost for the next audit based on current rates is $55,000 inclusive of travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Wendy Choy, Assistant Director of Local Audit, (425) 502-7067 Wendy.Choy@sao.wa.gov

Kristina Baylor, Program Manager, (425) 951-0290, Kristina.Baylor@sao.wa.gov

Erika Davies, Assistant Audit Manager, (425) 951-0867, Erika.Davies@sao.wa.gov

Miranda Shales, Audit Lead, (425) 948-7401, Miranda.Shales@sao.wa.gov

Financial Statements Audit Report

City of Lake Stevens

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

Published (Inserted by OS)

Report No. 1031819

Find out what's new at SAO by scanning this code with your smartphone's camera

Office of the Washington State Auditor
Pat McCarthy

Issue Date – (Inserted by OS)

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,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (564) 999-0950 • Pat.McCarthy@sao.wa.gov

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One Community Around the Lake

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Lake Stevens
January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

<table>
<tr><td>Audit Period:
2020</td><td>Report Reference No.:
1030255</td><td>Finding Ref. No.:
2020-001</td><td>CFDA Number(s):
21.019</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency: Coronavirus Relief Fund – U.S. Department of the Treasury</td><td colspan="2">Pass-Through Agency Name:
Washington State Department of Commerce and Snohomish County</td></tr>
<tr><td colspan="4">Finding Caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for allowable activities and costs and subrecipient monitoring.</td></tr>
<tr><td colspan="4">Background: During fiscal year 2020, the City spent $1,595,834 in program funds to cover additional costs the City incurred during the pandemic including teleworking equipment, personal protective equipment (PPE) and payroll. Additionally, the City spent $784,096 of these funds to establish a program that provided direct assistance payments to local businesses affected by COVID-19. The program funds also included $150,000 passed through to one subrecipient to provide emergency assistance to households financially affected by COVID-19.
The audit found the City did not have processes in place to ensure it complied with allowable activities and costs for the federal award. Specifically, the City did not have a process for verifying all eligibility criteria for assistance payments were met, ensuring payroll charges were for time spent working solely on COVID-19 response, and ensuring funds were disbursed on a cost reimbursement basis rather than as a cash advance. Questioned costs were $71,974.
The City did not have internal controls in place to ensure it followed the requirements for subawards with federal funds. Specifically, the City did not include all required elements in its subaward contracts, did not perform risk assessments, and did not perform adequate monitoring of its subrecipients.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
☐ Fully Corrected   ☐ Partially Corrected   ☐ Not Corrected   ☒ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The City hired a Grants Accountant to help administer grant compliance moving forward. However, the City did not receive any additional CARES funding in 2021 and does not expect</td></tr>
</table>

to receive any additional CARES funding. The City has received funding for the American Rescue Plan Act (ARPA) but has not utilized the funding in the same capacity as we did with the CARES funding. It is not customary for the City to provide relief funds to small businesses nor provide funds to sub-recipients. We do not foresee utilizing any federal funds in this capacity in the near future.

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, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 17, 2023.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 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.

Pat McCarthy, State Auditor

Olympia, WA

January 17, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Lake Stevens
January 1, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Lake Stevens, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

January 17, 2023

City of Lake Stevens
January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

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. 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.

Stay connected at sao.wa.gov

- Find your audit team
- Request public records
- Search BARS manuals (GAAP and cash), and find reporting templates
- Learn about our training workshops and on-demand videos
- Discover which governments serve you — enter an address on our map
- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov

January 17, 2023

Office of the Washington State Auditor
15129 Main Street Suite C102
Mill Creek, WA 98012

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the City of Lake Stevens for the period from January 1, 2021 through December 31, 2021. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquires to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
    a. Financial records and related data.
    b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
    c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
    d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
    e. Related party relationships and transactions.

f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.

4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.

6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.

7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.

8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.

9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.

Additional representations related to the financial statements:

11. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive

basis of accounting other than accounting principles generally accepted in the United States of America.

12. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.

13. The financial statements properly classify all funds and activities.

14. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.

15. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.

16. Ending cash and investments are properly classified as nonspendable, restricted, committed, assigned, and unassigned.

17. Significant assumptions we used in making accounting estimates are reasonable.

18. The following have been properly classified, reported and disclosed in the financial statements. as applicable:
    a. Interfund, internal, and intra-entity activity and balances.
    b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
    c. Joint ventures and other related organizations.
    d. Guarantees under which the government is contingently liable.
    e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
    f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements and other loss contingencies.

19. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.

20. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:
    a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
    b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
    c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.

21. We acknowledge our responsibility for reporting supplementary information as: the Schedule of Liabilities in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.

22. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.

23. We believe there are no uncorrected misstatements that would be material individually and in the aggregate to the financial statements taken as a whole.

24. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

Brett Gailey (Jan 12, 2023 12:18 PST)

Brett Gailey, Mayor

Barbara Stevens, Finance Director

Management Rep Letter

Final Audit Report 2023-01-12

Created:	2023-01-11
By:	Barbara Stevens (bstevens@lakestevenswa.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAA7tqskADcdbq60Wj22Y7x3RlowZ1WmT94

"Management Rep Letter" History

Document created by Barbara Stevens (bstevens@lakestevenswa.gov)
2023-01-11 - 9:37:41 PM GMT- IP address: 206.208.65.226

Document emailed to Brett Gailey (bgailey@lakestevenswa.gov) for signature
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Email viewed by Brett Gailey (bgailey@lakestevenswa.gov)
2023-01-12 - 2:41:19 PM GMT- IP address: 74.85.95.34

Document e-signed by Brett Gailey (bgailey@lakestevenswa.gov)
Signature Date: 2023-01-12 - 8:18:47 PM GMT - Time Source: server- IP address: 74.85.95.34

Agreement completed.
2023-01-12 - 8:18:47 PM GMT

CITY COUNCIL STAFF REPORT

Agenda Date: 1/17/2023

Subject: City Council Do's and Don'ts - Washington Cities Insurance Authority

Contact Person/Department: Ann Bennett, Executive Director, Administration

Budget Impact:

Legal Review: No

RECOMMENDATION(S)/ACTION REQUESTED:

SUMMARY/BACKGROUND:

APPLICABLE CITY POLICIES:

ATTACHMENTS:

1. Presentation

City Council Do's and Don'ts

Presented by
Ann Bennett
Executive Director
Washington Cities Insurance Authority

1

Washington Cities Insurance Authority

- A municipal non- profit organization of Washington public entities joined to share risk
  - Over 165 members and over $193 million in assets
- Advantages of WCIA Membership
  - Run by a board of directors composed entirely of members
  - Assist members in avoiding and reducing losses through risk management, training, and claim handling
  - Stability and transparency in rates
  - Coverage decisions made by the Executive Director with appealable rights to the Executive Committee

2

Washington Cities Insurance Authority

- Provides Self-Insurance Liability Coverage
  - Auto Liability, General Liability, Employment Practices, Errors & Omission
  - $20,000,000 per Occurrence
  - Look for coverage not exclusions
- Additional Insurance
  - Member Property, Auto & Boiler Machinery
  - Crime Fidelity purchased by members
  - Cyber and Pollution Premises Liability purchased for all members

WA cities Insurance Authority

3

Avoiding Liability

Individuals can receive absolute immunity for legislative activities

- Adoption of budgets, ordinances, and resolutions

Only within context of council meeting as a whole and not acting as an individual

WA cities Insurance Authority

4

Avoiding Liability

Land Use

- Use of Hearing Examiners
  - Less issues with appearance of fairness
  - Eliminates many arbitrary and capricious decision allegations
- Do not insert yourself in the process
  - Westmark v. Burien, Mission Springs v. Spokane
- Development Agreements
  - Held to contractual law and remedies which may not be covered by WCIA

WA cities Insurance Authority

5

Avoiding Liability

Personnel

- Stay in legislative role
  - Set policies, budgets, municipal codes
    Do not to stray into Executive role
    - Management of employees, hiring/firing, discipline
- Harassment and Discrimination
  - Held to same standard as City employees
    - Can be sued individually
    - Know the law and your policies
  - Report to Executive
    - If you witness behavior or are made aware of problem by employee

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Avoiding Liability

Negligent Misrepresentation

– Do not make specific promises or assurances

– Refer specific questions to staff

– Do not take matters into your own hands

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Avoiding Liability

Defamation

– If the statement/opinion is regarding a legislative concern you have immunity

– Careful discussing or naming individuals
  - Are they a public official, staff or private individual?
  - Any untruth gives rise to liability

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Avoiding Liability

Public Works

- Do not "politically engineer"
  - Crosswalks, Signs, Speed Limits
    - Ask for staff input off the record
    - Have staff respond to public requests
  - Joint and Several Liability
- Avoid promises, assurances and inflammatory statements

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Avoiding Liability

Do not leak Executive Session information

- Resist the temptation to share
- Disclose conflicts prior to session and recuse yourself
- Claims and Litigation
  - Can jeopardize defense
  - Possible sanctions imposed

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Avoiding Liability

Be mindful of written communications

- Email/Social Media
  - Always use City email address, not personal
    - Public record and discoverable in litigation
  - Is your social media account personal? For election activity? To discuss City business?
    - Do you allow comments and discussions?
      - » Possible Public Forum creation with First Amendment Protections

WA cities Insurance Authority

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WA cities Insurance Authority

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Washington Cities Insurance Authority
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CITY COUNCIL STAFF REPORT

Agenda Date: 1/17/2023

Subject: Council Liasion Feedback

Contact Person/Department: Russ Wright, Community Development

Budget Impact: NA

Legal Review: No

RECOMMENDATION(S)/ACTION REQUESTED:
Discuss ways to improve communication between City Council and Boards and Commissions

SUMMARY/BACKGROUND:
Coming out of 2022, using the Planning Commission as an example, there have been instances where the City Council disagreed with the recommendations as forwarded. Again using the Planning Commission as an example, PCD staff has discussed this concern with the Council previously and agreed to provide quarterly updates on the approved work plan and will schedule an additional briefing with the City Council prior to scheduling a hearing to identify any potential issues. Likewise, staff will provide a quarterly report back to the Planning Commission on significant City Council actions.

After discussing this item with a City Council member and the Council president, city staff liaisons would like to hear from the City Council if there are any additional communication strategies that you would like to see implemented to ensure that the City Council and its various boards and commissions have informed dialogue and a free flow of information, including the role of Council liaisons in sharing information.

APPLICABLE CITY POLICIES:
NA

ATTACHMENTS:
None