



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

City of Arlington

Snohomish County

For the period January 1, 2013 through December 31, 2013

Published September 29, 2014

Report No. 1012699





Washington State Auditor
Troy Kelley

September 29, 2014

Mayor and City Council
City of Arlington
Arlington, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Arlington's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

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Snohomish County
January 1, 2013 through December 31, 2013**

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Federal Summary

City of Arlington Snohomish County January 1, 2013 through December 31, 2013

The results of our audit of the City of Arlington are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

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 *Government Auditing Standards*

**City of Arlington
Snohomish County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Arlington
Arlington, 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 Arlington, Snohomish County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 10, 2014.

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 or permitted by Washington State statutes 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.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

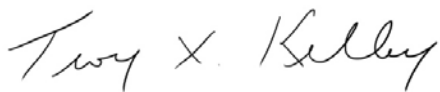
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.



TROY KELLEY
STATE AUDITOR

September 10, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Arlington
Snohomish County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Arlington
Arlington, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Arlington, Snohomish County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 10, 2014

Independent Auditor's Report on Financial Statements

City of Arlington Snohomish County January 1, 2013 through December 31, 2013

Mayor and City Council
City of Arlington
Arlington, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Arlington, Snohomish County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 14.

Management's Responsibility 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 Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Arlington has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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 financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Arlington, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

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 Arlington, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 on our consideration of the City's internal control over financial reporting and on our 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 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.



TROY KELLEY
STATE AUDITOR

September 10, 2014

Financial Section

**City of Arlington
Snohomish County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Street Fund	107 Growth Management Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,364,811	175,685	0	0
30880	Beg Fund Bal-Unreserved	19,056,391	377,749	126,377	2,457,642
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	10,835,611	8,952,187	0	0
320	Licenses & Permits	498,398	498,398	0	0
330	Intergovernmental Revenues	7,314,474	509,035	371,863	0
340	Charges for Goods and Services	13,669,087	1,029,968	115,000	403,581
350	Fines & Penalties	388,795	199,553	0	0
360	Miscellaneous Revenues	4,446,102	37,241	31,576	19,228
Total Operating Revenues:		37,152,467	11,226,382	518,439	422,809
Operating Expenditures					
510	General Government	1,745,988	1,349,551	0	0
520	Public Safety	9,238,248	6,866,519	0	0
530	Utilities	6,924,008	289,395	0	0
540	Transportation	3,618,361	0	835,818	0
550	Natural and Economic Environment	640,736	583,825	0	0
560	Social Services	3,480	3,480	0	0
570	Culture And Recreation	742,378	397,128	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		22,913,199	9,489,898	835,818	
Net Operating Increase (Decrease):		14,239,268	1,736,484	-317,379	422,809
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	2,069,478	150,989	0	291,865
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	3,725,700	79,846	376,250	0
Total Nonoperating Revenues:		5,795,178	230,835	376,250	291,865
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	1,670,528	148,221	0	294,979
591-593	Debt Service	5,316,469	876,847	0	0
594-595	Capital Expenditures	10,699,236	146,395	506	0
597	Transfers-Out	3,725,702	707,385	105,500	1,048,000
Total Nonoperating Expenditures:		21,411,935	1,878,848	106,006	1,342,979
Increase (Decrease) in Cash and Investments		-1,377,489	88,471	-47,135	-628,305
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,208,426	136,421	0	0
50880	End Fund Balance-Unreserved	17,835,287	505,484	79,242	1,829,337

The accompanying notes are an integral part of this Statement.

BARS Code		108 Emer Med Services Fund	109 Stream Corridor Restoration Fund	114 Lodging Tax Fund	116 Cemetery Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	84,282	31,409	42,150	70,822
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	1,386,377	0	84,030	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	62,457	0	0	0
340	Charges for Goods and Services	1,146,736	0	0	172,033
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	531	8,114	393	40,502
Total Operating Revenues:		2,596,101	8,114	84,423	212,535
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	2,302,926	0	0	0
530	Utilities	0	1,624	0	182,072
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	56,911	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		2,302,926	1,624	56,911	182,072
Net Operating Increase (Decrease):		293,175	6,490	27,512	30,463
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	291,865	0	0	8,740
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		291,865			8,740
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	291,865	0	0	0
591-593	Debt Service	82	0	0	0
594-595	Capital Expenditures	72,923	0	0	1,066
597	Transfers-Out	166,800	0	9,946	50,875
Total Nonoperating Expenditures:		531,670		9,946	51,941
Increase (Decrease) in Cash and Investments		53,370	6,490	17,566	-12,738
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	137,652	37,899	59,716	58,084

The accompanying notes are an integral part of this Statement.

BARS Code		212 LID #21 Fund	303 REET 1 Fund	304 REET 2 Fund	305 Capital Facilities/Bldg Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	25,930	145,002	82,169	1
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	206,509	206,508	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	79,163	1,209	1,290	0
Total Operating Revenues:		79,163	207,718	207,798	
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	68,803	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			68,803		
Net Operating Increase (Decrease):		79,163	138,915	207,798	0
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	10,000	73,420
Total Nonoperating Revenues:				10,000	73,420
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	49,761
591-593	Debt Service	0	47,650	286,723	22,239
594-595	Capital Expenditures	0	0	0	1,417
597	Transfers-Out	65,000	98,000	0	0
Total Nonoperating Expenditures:		65,000	145,650	286,723	73,417
Increase (Decrease) in Cash and Investments		14,163	-6,735	-68,925	3
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	40,093	138,267	13,244	4

The accompanying notes are an integral part of this Statement.

BARS Code		310 Transportation Improvement Fund	311 Park Improvement Fund	312 Library Capital Improv Fund	316 Cemetery Cap Improv Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	400,372	277,027	13,589	458
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	5,406,666	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	10,706	68,516	104	137
Total Operating Revenues:		5,417,372	68,516	104	137
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	12,071	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		12,071			
Net Operating Increase (Decrease):		5,405,301	68,516	104	137
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	1,297	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	2,200,936	0	0	43,000
Total Nonoperating Revenues:		2,202,233			43,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	1,297	0	0	0
591-593	Debt Service	0	152,000	0	0
594-595	Capital Expenditures	8,002,952	36,909	0	37,988
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		8,004,249	188,909		37,988
Increase (Decrease) in Cash and Investments		-396,715	-120,393	104	5,149
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	3,657	156,634	13,693	5,607

The accompanying notes are an integral part of this Statement.

BARS Code		401 Water/Sewer Utility Fund	402 Airport Fund	412 Storm Water Managmt Fund	501 Equip Rental M & O Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	479,248	1,496,874	0	0
30880	Beg Fund Bal-Unreserved	12,700,964	1,035,131	228,231	57
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	263,335	701,118	0
340	Charges for Goods and Services	9,921,621	5,608	855,956	0
350	Fines & Penalties	111,630	74,541	3,071	0
360	Miscellaneous Revenues	112,821	2,923,224	2,058	64
Total Operating Revenues:		10,146,072	3,266,708	1,562,203	64
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	5,914,806	0	536,111	0
540	Transportation	0	1,910,605	0	523,746
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		5,914,806	1,910,605	536,111	523,746
Net Operating Increase (Decrease):		4,231,266	1,356,103	1,026,092	-523,682
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	402,364	444,144	450,000	15,298
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	510,949
Total Nonoperating Revenues:		402,364	444,144	450,000	526,247
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	457,023	379,152	48,230	0
591-593	Debt Service	2,808,709	1,120,449	1,770	0
594-595	Capital Expenditures	121,082	866,245	1,232,881	0
597	Transfers-Out	1,011,263	398,888	6,600	2,500
Total Nonoperating Expenditures:		4,398,077	2,764,734	1,289,481	2,500
Increase (Decrease) in Cash and Investments		235,553	-964,487	186,611	65
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,501,946	342,314	0	0
50880	End Fund Balance-Unreserved	11,913,819	1,225,204	414,842	122

The accompanying notes are an integral part of this Statement.

BARS Code		503 Equip Rental Replacement Fund	504 P W Facilities M&O Fund	702 Cem Endowment Fund
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	213,004
30880	Beg Fund Bal-Unreserved	930,449	26,580	0
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	0	5,539	13,045
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	8,336	1,099,193	1,696
Total Operating Revenues:		8,336	1,104,732	14,741
Operating Expenditures				
510	General Government	0	396,437	0
520	Public Safety	0	0	0
530	Utilities	0	0	0
540	Transportation	0	336,121	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	345,250	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:			1,077,808	
Net Operating Increase (Decrease):		8,336	26,924	14,741
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	2,364	10,552	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	431,299	0	0
Total Nonoperating Revenues:		433,663	10,552	
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	178,872	0	0
597	Transfers-Out	0	54,945	0
Total Nonoperating Expenditures:		178,872	54,945	
Increase (Decrease) in Cash and Investments		263,127	-17,469	14,741
Ending Cash and Investments				
50810	End Fund Bal-Reserved	0	0	227,745
50880	End Fund Balance-Unreserved	1,193,576	9,111	0

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	622 Cem Pre-Need Trust Fund
308	Beginning Cash and Investments	16,206	16,206
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	4,150	4,150
380-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		4,150	4,150
508	Ending Cash and Investments	20,356	20,356

The accompanying notes are an integral part of this Statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF ARLINGTON

Period Ending December 31, 2013

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Arlington was incorporated in 1903 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor-council form of government. The city is a general purpose government and provides police and fire protection, including emergency medical response services, engineering, street construction and maintenance, parks and recreation services, health and social services, a public library and general administrative services. In addition, the city owns and operates a cemetery, a water system, a sewer system, a storm water management system and an airport.

The City of Arlington uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the City of Arlington are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The city's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the city:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the city. 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 revenues sources that are restricted or committed to expenditures for specific purposes of the city.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account for assets that the city holds for others in an agency capacity.

B. Basis of Accounting

As permitted by the State of Washington, the City of Arlington has elected to prepare these financial statements on a cash basis of accounting in accordance with provisions of Washington State statutes and the Budgeting, Accounting and Reporting System (BARS) as prescribed by the State Auditor's Office.

The cash basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end.

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

Non-expenditure type account numbers are used in some funds.

The appropriated and actual expenditures for the legally adopted budgets for 2013 are shown on the following page:

Fund/Department	Final Appropriated	Actual	Variance
	Amounts *	Expenses *	
001 - General Fund			
General Fund	\$ 12,878,609.00	\$ 11,329,468.66	\$ 1,549,140.34
Program Development Fund	42,000.00	39,263.54	2,736.46
Total 001 - General Fund	12,920,609.00	11,368,732.20	1,551,876.80
101 - Street Fund	964,135.00	941,825.07	22,309.93
107 - Growth Management Fund	1,402,492.00	1,342,979.00	59,513.00
108 - Emer Med Services Fund	2,935,584.00	2,834,597.34	100,986.66
109 - Stream Corridor Restoration Fund	7,000.00	1,623.63	5,376.37
114 - Lodging Tax Fund	83,000.00	66,857.40	16,142.60
116 - Cemetery Fund	247,365.00	234,010.93	13,354.07
212 - LID #21 Fund	65,000.00	65,000.00	
303 - REET 1 Fund	215,650.00	214,452.80	1,197.20
304 - REET 2 Fund	359,025.00	286,723.01	72,301.99
305 - Capital Facilities/Bldg Fund	82,000.00	73,417.23	8,582.77
310 - Transportation Improvement Fund	10,441,800.00	8,016,320.23	2,425,479.77
311 - Park Improvement Fund	192,000.00	188,909.10	3,090.90
316 - Cemetery Cap Improv Fund	40,500.00	37,987.90	2,512.10
401 - Water/Sewer Utility Fund			
Water/Sewer Utility Fund	8,997,507.00	8,915,302.54	82,204.46
Water Improvement Fund	1,533,000.00	1,209,299.91	323,700.09
Sewer Improvement Fund	534,135.00	316,177.88	217,957.12
P W-Utilities Admin Fund	638,360.00	631,180.68	7,179.32
WWTP Improv & Expans Fund	1,318,989.00	1,318,988.86	0.14
Total 401 - Water/Sewer Utility Fund	13,021,991.00	12,390,949.87	631,041.13
402 - Airport Fund			
Airport Fund	3,512,640.00	3,174,737.73	337,902.27
Airport Reserve Fund	1,516,000.00	1,243,694.03	272,305.97
Airport CIP (FAA) Fund	364,000.00	335,206.44	28,793.56
Total 402 - Airport Fund	5,392,640.00	4,753,638.20	639,001.80
412 - Storm Water Managmt Fund			
Storm Water CIP Fund	1,254,750.00	1,232,880.92	21,869.08
Storm Water Managmt Fund	753,096.00	741,811.56	11,284.44
Total 412 - Storm Water Managmt Fund	2,007,846.00	1,974,692.48	33,153.52
501 - Equip Rental M & O Fund	534,130.00	526,248.80	7,881.20
503 - Equip Rental Replacement Fund	183,000.00	178,870.96	4,129.04
504 - P W Facilities M&O Fund	1,164,132.00	1,132,757.20	31,374.80
622 - Cem Pre-Need Trust Fund	10,100.00	-	10,100.00
702 - Cem Endowment Fund	2,500.00	-	2,500.00
TOTALS	\$ 52,272,499.00	\$ 46,630,593.35	\$ 5,641,905.65
* - Includes Non-Expenditures			

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within a department; however, any revisions that alter the total expenditures of a fund, or affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. The City Council also approves all expenditures for payroll and claims.

The total for all funds on Schedule C-4 is different from the above Actual Expenditures Totals due to consolidating the Program Development Fund with the General Fund. The following funds were consolidated with the Water/Sewer Fund - Water Capital Improvement Fund, Sewer Capital Improvement Fund, Public Works Utility Administration Fund, Wastewater Treatment Plant Improvement and Expansion Fund, and the Water/Sewer Revenue Bond Redemption Fund. The Surface Water Capital Improvement Fund was consolidated with the Storm Water Management Fund. The Airport Reserve Fund and the Airport Capital Improvement Funds were consolidated with the Airport Fund. Interfund transfers were also eliminated within the enterprise funds as required (Water, Sewer, Airport and Storm water Management Funds and their related capital funds).

D. Cash

It is the City of Arlington's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The city's deposits and certificates of deposit are entirely 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.

F. Investments See Note #2

G. Derivatives And Similar Transactions

None.

H. Capital Assets

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

I. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. (American Federation of State, Counties and Municipal Employees (AFSCME))

Union, the Arlington Police Officer's Association (APOA) Union Employees, and Regular Non-represented employees)

Regular Full-Time, (AFSCME) and (APOA) employees may accumulate Sick leave up to 1000 hours. The local International Association of Fire Fighters (IAFF) Union employees may accumulate Sick Leave up to 1,440 hours.

Upon termination of employment or retirement, Regular, AFSCME Union and APOA Union employees shall be paid one third (1/3) of unused accrued sick leave up to 240 hours. In no event shall Regular, AFSCME or APOA Employee's combined sick leave and vacation benefits payable upon termination/retirement exceed 240 hours.

The IAFF Union employees, upon separation from the city, are entitled to receive up to 260 hours of vacation and up to 350 hours of unused sick leave.

J. Debt Service Requirements-See Note #5

K. Other Financing Sources or Uses

Interfund transactions are classified as follows:

Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the city.

Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses."

Contributions to the capital of enterprise or internal service funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as residual equity transfers and reported as direct additions to or deductions from fund equity.

Non-Revenues and Non-Expenditures

The city's non-revenues and non-expenditures consist of Interfund loan proceeds and repayments, agency collections and disbursements, investment proceeds and purchases, prior period corrections, residual equity transfers - in or out.

L. Risk Management

The City of Arlington 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 162 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

M. Reserved Fund Balance

The City will strive to maintain a reserve fund with a target balance of 8% of the total General Fund budgeted Taxes and Licenses & Permits. These operating reserves are maintained to address temporary revenue shortfall; payment of approved expenditures due to cash flow shortage; reserves for expenditures deemed necessary by the Mayor and City Council; temporary short-term interfund loans, and other anticipated expenses as approved by the City Council. An annual contribution will be budgeted from the General Fund resources as available to maintain the target reserve level.

This above mentioned reserve shall be in addition to the maintaining of one-month operating cash in the General Fund at the end of each year.

NOTE 2 - INVESTMENTS

The city investments are either insured, registered or held by the city or its agent in the city's name. The investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

Type of Investment	City's own Investments	Investments held by City as an agent for other local governments, individuals or private organizations		Balance
L.G.I.P.	\$ 3,504,831	\$ -		\$ 3,504,831
U.S. Government Securities	10,000,000	-		10,000,000
Municipal Securities	1,822,890	-		1,822,890
Certificates of Deposit	2,041,458	-		2,041,458
Total	<u>\$ 17,369,179</u>	<u>\$ -</u>		<u>\$ 17,369,179</u>

NOTE 3 - PROPERTY TAXES

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are usually distributed by the County twice each month, normally around the 10th and 20th of each month.

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 when taxes are levied.

The city's regular levy for 2013 was \$1.41985628 per \$1,000 on an assessed valuation of \$1,727,872,805 for a total regular levy of \$2,453,331. The city also levied \$0.50 per \$1,000 for Emergency Medical Services (EMS) for a total levy of \$863,936. (per the Snohomish County Assessor's Office Annual Report for 2013 Taxes)

NOTE 4 - INTERFUND LOANS AND ADVANCES

In 1999 the City of Arlington purchased 24 acres of land from the City's municipal airport, to be used for parks and recreation. A 50 year repayment schedule was established. Included in the authorizing resolution were the terms of repayment. The 50 year payment terms call for interest to be determined and adjusted at least once every five years to not less than the US Treasury "Current Value of Funds Rate (CVFR)". The payments began in January 2000 at the interest rate of 5.20%. In 2013, the CVFR interest rate was 1%.

Prior to the formation of the Storm water Fund, Storm water operating expenditures were paid out of the General Fund with the expectation that those costs would be reimbursed. The total amount paid from 2003 to 2006 by the General Fund totaled \$553,928. In 2008, \$50,000 was reimbursed from the Storm water Fund to the General Fund. In 2009, Resolution 789 was passed to allow the Water Capital Improvement Fund to reimburse the General Fund the remainder of what was owed, and also to authorize the Storm water Fund, beginning in 2010, to make payments of not less than \$50,000 per year to the Water Improvement Fund, until the entire remaining amount is reimbursed. Resolution 2013-007 was passed on March 18, 2013 to authorize interest of 0.5% interest to be paid on the loan.

In September, 2013, the Storm water Capital Improvement Fund paid for costs related to the Prairie Creek Drainage Phase 1 Improvements. The Storm water Capital Improvement Fund did not have sufficient funds at the end of September to cover those costs until the project is complete and grant funding is received. Resolution No. 2013-023 was passed on November 4, 2013 allowing for a short-term interfund loan from the Water Capital Improvement Fund. Interest will be paid on the loan tied to the monthly Local Government Investment Pool rate managed by the State Treasurer's Office.

The following table displays interfund loan activity during 2013.

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Loan Balance 01/01/2013</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Principle Balance 12/31/2013</u>
General	Airport	\$2,246,195	\$ 0	\$49,761	\$2,196,434
Storm water	Water CIP	353,928	0	48,230	305,698
Storm water CIP	Water CIP	0	450,000	0	450,000

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedules of Long-term Liabilities (Schedule 9) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for the year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and other loans (not including interfund loans) and obligations, including both principle and interest, are as follows:

	General Obligation Debt	Revenue Bonds	Other Debt	Total Debt
2014	1,230,002	643,185	2,338,883	4,212,071
2015	1,217,702	638,185	2,332,154	4,188,041
2016	1,219,952	642,185	2,325,024	4,187,162
2017	1,231,152	495,185	2,227,091	3,953,429
2018	1,225,802	30,715	2,225,870	3,482,387
2019 - 2023	6,097,182	-	11,268,389	17,365,571
2024 - 2028	5,493,476	-	10,378,122	15,871,597
2029 - 2033	4,235,808	-	3,797,494	8,033,301
2034 - 2038	812,588	-	1,240,750	2,053,337
2039 - 2040	-	-	310,186	310,186
Totals	<u>\$ 22,763,665</u>	<u>\$ 2,449,455</u>	<u>\$ 38,443,963</u>	<u>\$ 63,657,083</u>

NOTE 6 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) Plan 2 or Plan 3 or the Law Enforcement Officers and Fire Fighters (LEOFF) Plan 2 retirement plans, administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employees and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 7 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

Joint Ventures

The City is involved in a joint operation with other governmental entities in the establishment and operation of the Snohomish County Police Staff and Auxiliary Services Center, presently known as SNOPAC. The city, in conjunction with (currently 33) other governmental entities, participates in this joint venture. Control of SNOPAC is with an 11 member Board of Directors which is specified in the Interlocal Agreement. Using the same criteria applied to the other organizations to determine the reporting entity, this joint venture is not included in the city's annual financial statements.

SNOPAC was created under the Interlocal Cooperation Act, as codified in RCW 39.34, the needed statutory authority and opportunity for Snohomish County and the Cities, towns, fire districts, hospital districts and miscellaneous service districts to enter into a contract and agreement to cooperatively establish, maintain and operate a support communications center.

SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

NOTE 8 – OTHER DISCLOSURES

Other Post-Employment Benefits (OPEB)

The City has a commitment to pay for post-employment benefits for employees that belong to the Law Enforcement Officers and Fire Fighters Pension (LEOFF) Plan 1 (commonly referred to LEOFF 1). These benefits, per the Revised Code of Washington Chapter 41.26.150 include the payment of medical costs and nursing care. Six LEOFF 1 retirees received benefits during 2013 and a total of \$63,494 was paid out for those benefits during the year.

Arlington Transportation Benefit District

On April 1, 2013 the Arlington City Council passed Ordinance #2013-005, which created a Transportation Benefit District (TBD) in the City of Arlington. A TBD is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the City limits of

Arlington. It has the authority to impose certain taxes and fees, either through a vote of the people or Board action, for transportation purposes.

The TBD is governed by the members of the Arlington City Council acting as the District’s Board of Directors. The Mayor serves as Chair of the Board.

In August 2013 the citizens of Arlington voted to approve the ballot measure to provide for a sales tax rate increase of two-tenths of one percent on the sales within the city limits.

The Board’s primary concern is the continuous funding for improvements and maintenance of the City’s residential and commercial street infrastructure. The City receipts Motor Vehicle Fuel Taxes into the Street Fund to be used for ongoing street preservation and maintenance. Fuel taxes alone have not been sufficient and the Street Fund has required additional funding from the City’s General Fund to make ends meet. In recent years the General Fund support has been dramatically reduced due to the passage of Initiative 695 (the 1% annual property tax increase limit) and Initiative 776 (the \$30 vehicle tab limit) in 2002, resulting in the significant reduction of annual property taxes and the reduction of Motor Vehicle Excise Taxes and local vehicle license fees. The economic recession has also severely limited additional City funding. The additional sales tax will go into effect in January 2014.

City of Arlington Transportation & Public Works Construction Commitment

The City of Arlington Transportation and Public Works Funds had two active construction projects as of December 31, 2013. These projects are: 67th Avenue Final Phase Project and 173rd Street Utilities Project. All other projects are either in design phase only and have not been bid for construction, or are in the final close-out phase and therefore aren’t being considered as “active construction”.

At year-end 2013 the Public Works/Transportation commitments with contractors are as follows:

Project	Spent toDate	Remaining Commitment	Funded By
67th Ave Final Phase	\$ 4,432,787	\$ 1,857,457	Transportation Imp. (310) / TIB (State Funds)
173rd St Utilities	\$ -	\$1,034,448	Water CIP (405) Sewer CIP (406)

(Of the committed balance of \$2,891,905 the City will be required to raise \$0 in future financing.)

Arlington Municipal Airport Construction Commitment

The City of Arlington Airport has active construction projects as of December 31, 2013. The projects include: Airport Land Acquisition – Opal Property, Taxiway Lighting Project and the Building 77B Renovation Project.

At year-end the City/Airport's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment	Funded By:
Taxiway Lighting Project	0	\$815,541	Airport CIP Fund/FAA Grant 90%/WSDOT 2.5%
Airport Land Acquisition – Opal Property	\$10,416	\$293,000	Airport CIP Fund/FAA Grant (90%)
Building 77B Renovation Project	\$78,981	\$77,565	Airport Operating Fund

Of the committed balance of \$1,186,106 the City will be required to raise \$0 in future financing.

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	2004 LTGO - Police Station	12/1/2034	7,700,000	0	0	7,700,000
	251.11	2007 LTGO - N Olympic Ave	12/1/2027	2,985,000	0	160,000	2,825,000
	251.11	2010 LTGO - Refunding/Fire St.	12/1/2030	4,160,000	0	335,000	3,825,000
	251.11	2010 LTGO - Refunding/Loan	12/1/2030	335,000		35,000	300,000
	263.61	Graafstra Note-Park Land	4/1/2040	3,200,000	0	0	3,200,000
	259.11	Compensated Absences - General		856,840	157,357	0	1,014,197
	263.51	Lease - Servers - 810-6523252-002	8/1/2015	0	5,866	1,860	4,006
	263.51	Lease - Servers - 810-6523252-001	4/1/2015	14,100	0	4,923	9,177
	263.51	Lease - Computers - 811-088909055-001	4/1/2015	20,058	0	9,658	10,400
	263.51	Lease - Police Vehicles	11/1/2016	88,008	0	17,070	70,938
	251.19	2009 LTGO - Airport Expans	12/1/2024	595,996	0	40,021	555,975
	251.19	2010 LTGO - Airport	12/1/2030	960,000		960,000	0
Total General Obligations:				20,915,002	163,223	1,563,532	19,514,693

The accompanying notes to the financial statements are an integral part of this schedule

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
Revenue Obligations							
	252.11	2007 W/S Refunding	12/1/2017	2,475,000	0	480,000	1,995,000
	252.11	2003 Revenue Bonds-Airport	8/1/2018	250,267	0	39,008	211,259
	263.82	1993 PWTF Loan-Water Tank	7/1/2013	50,407	0	50,407	0
	263.82	1996 PWTF Loan-Wtr Treatm Plant	7/1/2016	363,213	0	90,803	272,410
	263.82	2006 PW Loan WWTP - PW- 06-962-002	7/1/2026	5,509,655	0	393,547	5,116,108
	263.82	2007 PW Loan WWTP - PR07- 951-001	7/1/2027	789,472	0	52,632	736,840
	263.82	2008 PW Loan WWTP - PC08- 951-001	7/1/2028	8,470,588	0	529,412	7,941,176
	263.82	Recovery Act Loan-DOE Loan L1000024	7/1/2029	5,533,853	0	229,413	5,304,440
	263.82	Base Revolving Fund Loan- DOE Loan L1000025	7/1/2029	9,007,174	0	373,404	8,633,770
	259.12	Compensated Absences - Proprietar		299,683	0	78,331	221,352
Total Revenue Obligations:				32,749,312	0	2,316,957	30,432,355
Total Liabilities:				53,664,314	163,223	3,880,489	49,947,048

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Criminal Division, Department Of Justice	Joint Law Enforcement Operations (JLEO)	16.111	N/A		1,000	1,000	
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	N/A		2,724	2,724	
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0002-024		172,997	172,997	
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0002-023-2012		93,163	93,163	
Total CFDA 20.106				0	266,160	266,160	
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept. of Transportation	Highway Planning and Construction	20.205	LA-6591	257,704		257,704	
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept. of Transportation	Highway Planning and Construction	20.205	LA-7989	1,815,461		1,815,461	
Total CFDA 20.205				2,073,165	0	2,073,165	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA State Traffic Safety Commission	State and Community Highway Safety	20.600	FST's	1,850		1,850	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA State Dept. of Transportation	State and Community Highway Safety	20.600	TZ Patrols	3,068		3,068	
Total CFDA 20.600				4,918	0	4,918	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA State Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	DUI	464		464	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA State Traffic Safety Commission	National Priority Safety Programs	20.616	TZT Patrols	1,426		1,426	
US Environmental Protection/WA State Department of Commerce	Puget Sound Watershed Management Assistance	66.120	T11-63500-001	19,235		19,235	
Department Of Homeland Security/WA State Military Dept.	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1825-DR-WA	250		250	
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2012-FO-05472		61,249	61,249	
Department Of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A		26,040	26,040	
Total Federal Awards Expended:				2,099,458	357,173	2,456,631	

City of Arlington

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ending December 31st, 2013

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Cities financial statement.
The city uses cash basis of accounting.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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