



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Arlington

For the period January 1, 2019 through December 31, 2019

Published November 2, 2020

Report No. 1027206





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

November 2, 2020

Mayor and City Council
City of Arlington
Arlington, Washington

Report on Financial Statements

Please find attached our report on the City of Arlington's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**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
January 1, 2019 through December 31, 2019**

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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 26, 2020.

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.

As discussed in Note 6 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS Manual.

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

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 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 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.

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

Pat McCarthy
State Auditor
Olympia, WA

October 26, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Arlington January 1, 2019 through December 31, 2019

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, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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 state law 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 opinions 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 to meet the financial reporting requirements of state law using 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 financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Arlington, and its changes in cash and investments, for the year ended December 31, 2019, 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, 2019, or the changes in financial position or cash flows thereof 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.

Matters of Emphasis

As discussed in Note 6 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 October 26, 2020 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.

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

Pat McCarthy

State Auditor

Olympia, WA

October 26, 2020

FINANCIAL SECTION

City of Arlington January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

City of Arlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	9,015,067	-	362,202
30880	Unreserved	31,353,968	5,445,645	-
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	17,857,446	13,780,504	-
320	Licenses and Permits	1,101,809	1,097,646	-
330	Intergovernmental Revenues	6,219,535	1,081,174	433,613
340	Charges for Goods and Services	23,229,170	2,513,996	61,178
350	Fines and Penalties	323,008	206,977	-
360	Miscellaneous Revenues	1,973,423	242,626	8,115
Total Revenues:		50,704,391	18,922,923	502,906
Expenditures				
510	General Government	4,130,157	3,108,079	-
520	Public Safety	14,280,035	9,706,250	-
530	Utilities	6,415,323	13,727	-
540	Transportation	4,238,348	-	949,929
550	Natural and Economic Environment	2,131,002	1,992,795	-
560	Social Services	5,858	5,858	-
570	Culture and Recreation	122,227	67,788	-
Total Expenditures:		31,322,950	14,894,497	949,929
Excess (Deficiency) Revenues over Expenditures:		19,381,441	4,028,426	(447,023)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	5,492,495	960,586	567,723
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	615,936	175,680	-
381, 382, 395, 398	Other Resources	1,542,216	14,621	-
Total Other Increases in Fund Resources:		7,650,647	1,150,887	567,723
Other Decreases in Fund Resources				
594-595	Capital Expenditures	8,734,062	374,742	128,437
591-593, 599	Debt Service	4,660,824	2,068,429	-
597	Transfers-Out	5,492,495	1,779,137	83,433
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	627,477	171,977	-
581, 582	Other Uses	49,695	-	-
Total Other Decreases in Fund Resources:		19,564,553	4,394,285	211,870
Increase (Decrease) in Cash and Investments:		7,467,535	785,028	(91,170)
Ending Cash and Investments				
5081000	Reserved	11,542,279	-	271,034
5088000	Unreserved	36,294,295	6,230,680	-
Total Ending Cash and Investments		47,836,574	6,230,680	271,034

The accompanying notes are an integral part of this statement.

City of Arlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

107 Growth Management Fund	108 Emer Med Servcs Fund	111 Public Art Fund	114 Lodging Tax Fund	116 Cemetery Fund	180 Transportation Sales Tax Fund
4,961,746	-	-	38,936	-	765,561
-	211,049	-	-	51,226	-
-	-	-	-	-	-
-	1,491,989	-	151,492	-	1,383,513
-	-	-	-	-	-
-	2,223,007	-	-	-	-
1,277,126	2,958,889	-	-	259,706	-
-	6,807	-	-	-	-
109,074	21,321	625	1,466	2,062	22,368
<u>1,386,200</u>	<u>6,702,013</u>	<u>625</u>	<u>152,958</u>	<u>261,768</u>	<u>1,405,881</u>
-	-	-	-	-	-
-	4,484,606	-	-	-	-
-	-	-	-	172,682	-
-	-	-	-	-	-
-	-	-	138,207	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,484,606	-	138,207	172,682	-
<u>1,386,200</u>	<u>2,217,407</u>	<u>625</u>	<u>14,751</u>	<u>89,086</u>	<u>1,405,881</u>
-	-	-	-	-	-
350,000	-	119,016	-	-	-
-	-	-	-	-	-
-	-	-	-	25,305	-
-	4,216	-	-	-	-
<u>350,000</u>	<u>4,216</u>	<u>119,016</u>	<u>-</u>	<u>25,305</u>	<u>-</u>
-	-	-	-	-	1,008,782
-	-	-	-	-	-
61,773	1,281,198	-	-	29,223	-
-	-	-	-	-	-
-	3,263	-	-	15,489	-
-	-	-	-	-	-
<u>61,773</u>	<u>1,284,461</u>	<u>-</u>	<u>-</u>	<u>44,712</u>	<u>1,008,782</u>
1,674,427	937,162	119,641	14,751	69,679	397,099
6,636,173	-	119,641	53,688	-	1,162,659
-	1,148,210	-	-	120,907	-
<u>6,636,173</u>	<u>1,148,210</u>	<u>119,641</u>	<u>53,688</u>	<u>120,907</u>	<u>1,162,659</u>

The accompanying notes are an integral part of this statement.

City of Arlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

303 REET 1 Fund	304 REET 2 Fund	305 Capital Facil/Bldg Fund	310 Transport Improv Fund	311 Park Improvement Fund	312 Library Capital Impr Fund
681,229	883,742	-	-	-	-
-	-	1,146,771	324	397,432	14,478
-	-	-	-	-	-
524,974	524,974	-	-	-	-
-	-	-	-	4,163	-
-	-	-	1,652,777	385,759	-
-	-	-	-	675	-
-	-	-	-	-	-
14,376	21,174	23,138	18,546	36,345	281
<u>539,350</u>	<u>546,148</u>	<u>23,138</u>	<u>1,671,323</u>	<u>426,942</u>	<u>281</u>
-	-	-	-	-	-
89,179	-	-	-	-	-
-	-	-	-	-	-
-	-	-	132,144	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	23,850	-
<u>89,179</u>	<u>-</u>	<u>-</u>	<u>132,144</u>	<u>23,850</u>	<u>-</u>
<u>450,171</u>	<u>546,148</u>	<u>23,138</u>	<u>1,539,179</u>	<u>403,092</u>	<u>281</u>
-	-	-	-	-	-
-	-	2,221,149	-	278,789	-
-	-	-	-	-	-
-	-	-	1,297	621	-
-	-	720,430	-	-	-
<u>-</u>	<u>-</u>	<u>2,941,579</u>	<u>1,297</u>	<u>279,410</u>	<u>-</u>
-	-	20,025	671,919	865,923	-
48,800	288,021	-	-	152,000	-
261,842	-	978,860	350,000	-	-
-	-	-	-	-	-
-	-	-	1,641	3,406	-
-	-	-	-	-	-
<u>310,642</u>	<u>288,021</u>	<u>998,885</u>	<u>1,023,560</u>	<u>1,021,329</u>	<u>-</u>
139,529	258,127	1,965,832	516,916	(338,827)	281
820,758	1,141,869	-	-	-	-
-	-	3,112,603	517,240	58,606	14,759
<u>820,758</u>	<u>1,141,869</u>	<u>3,112,603</u>	<u>517,240</u>	<u>58,606</u>	<u>14,759</u>

The accompanying notes are an integral part of this statement.

City of Arlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

316 Cemetery Cap Impr Fund	320 Equip Rental Replac Fund	402 Airport Fund	403 Water Utilities Fund	404 Sewer Utilities Fund	412 Storm Water Mgmt Fund
-	-	-	-	1,022,699	-
5,927	2,653,945	3,128,272	9,937,494	7,005,647	1,320,173
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	393,205	-	-	50,000
-	31,731	2,784,215	4,573,982	6,190,797	976,734
-	-	16,377	35,932	48,860	8,055
115	517,853	503,324	212,332	167,388	27,057
115	549,584	3,697,121	4,822,246	6,407,045	1,061,846
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,762,111	2,836,281	630,522
-	-	2,613,181	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,613,181	2,762,111	2,836,281	630,522
115	549,584	1,083,940	2,060,135	3,570,764	431,324
-	-	-	-	-	-
25,000	920,232	-	20,000	20,000	10,000
-	-	-	-	-	-
-	56	392,513	1,635	-	-
-	168,705	559,816	54,629	-	19,799
25,000	1,088,993	952,329	76,264	20,000	29,799
-	1,527,827	2,118,750	1,608,208	177,068	232,381
-	-	60,400	-	2,042,869	305
-	-	66,909	78,900	295,532	167,082
-	-	-	-	-	-
-	1,333	416,430	12,732	-	-
-	-	-	-	-	49,695
-	1,529,160	2,662,489	1,699,840	2,515,469	449,463
25,115	109,417	(626,220)	436,559	1,075,295	11,660
-	-	-	-	1,022,699	-
31,042	2,763,361	2,502,049	10,374,054	8,080,939	1,331,833
31,042	2,763,361	2,502,049	10,374,054	9,103,638	1,331,833

The accompanying notes are an integral part of this statement.

City of Arlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

504 P W Facilities M&O Fund	702 Cemetery Endowment
-	298,952
35,585	-
-	-
-	-
-	-
-	-
1,600,141	-
-	-
17,941	5,896
<u>1,618,082</u>	<u>5,896</u>
1,022,078	-
-	-
-	-
543,094	-
-	-
-	-
30,589	-
<u>1,595,761</u>	<u>-</u>
22,321	5,896
-	-
-	-
-	-
9,919	8,910
-	-
<u>9,919</u>	<u>8,910</u>
-	-
-	-
58,606	-
-	-
1,206	-
-	-
<u>59,812</u>	<u>-</u>
(27,572)	14,806
-	313,758
8,012	-
<u>8,012</u>	<u>313,758</u>

The accompanying notes are an integral part of this statement.

City of Arlington
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Private-Purpose Trust
308	Beginning Cash and Investments	<u>34,861</u>
388 & 588	Net Adjustments	-
310-390	Additions	17,321
510-590	Deductions	<u>140</u>
	Net Increase (Decrease) in Cash and Investments:	17,181
508	Ending Cash and Investments	52,042

NOTES TO FINANCIAL STATEMENTS

CITY OF ARLINGTON

Period Ending December 31, 2019

Note 1 – Summary of Significant Accounting Policies

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 & sewer system, a storm water management system and an airport.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements. (see Note 9 to the financial statements)
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

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 government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

B. Basis of Accounting

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

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

C. Cash and Investments

See Note 5 – Deposits and Investments.

D. Capital Assets

Capital Assets are assets with an initial cost of more than \$7,500 and an estimated useful life in excess of 1 year. The capital assets of the City of Arlington are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 300 hours. (American Federation of State, Counties and Municipal Employees (AFSCME) Union, the Arlington Police Officer's Association (APOA) Union Employees and Regular Non-represented employees).

*AFSCME employees accrue sick leave at the rate of 8 hours per completed calendar month of continuous employment. No employee shall carry over a balance greater than one thousand (1,000) hours into the next calendar year *. Any sick leave accrued over one thousand (1,000) hours as of December 31st each year shall be cashed out at the rate of one third (1/3) of such leave and such amount shall be deposited into the employee's HRA VEBA account.

*Arlington Police Officer's Association (APOA) employees accrue sick leave at the rate of 12 hours per month of service. No employee shall carry over a balance greater than one thousand (1,000) hours into the next calendar year *. Any sick leave accrued over one thousand (1,000) hours as of December 31st each year shall be cashed out at the rate of one third (1/3) of such leave and such amount shall be deposited into the employee's HRA VEBA account.

Regular Non-represented employees accrue sick leave at the rate of 8 hours per month and can accrue up to one thousand two hundred (1,200) hours per year.

In no event shall Regular, AFSCME or APOA Employee's combined sick leave and vacation benefits payable upon termination/retirement exceed 240 hours.

The local International Association of Fire Fighters (IAFF) Union employees may accumulate sick leave up to 1,440 hours.

International Association of Fire Fighters (IAFF) may accumulate up to 480 hours of vacation time but a maximum of 300 hours can be carried over from the last day of the Kelly cycle in any given year.

The IAFF Union employees, upon separation from the city, are entitled to receive up to 260 hours of vacation time for employees hired on or before December 31, 2013 and 240 hours for employees hired on or after January 1, 2014. The maximum amount of unused sick leave to be paid to the employee upon separation of the City will be 350 hours for employees hired on or before December 31, 2013 and 330 hours for employees hired on or after January 1, 2014.

F. Long-Term Debt

Note 3 – Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

Beginning and ending cash and investments are reported as reserved when subjected to restrictions on use imposed by external parties or due to internal commitments established by City ordinance or resolution.

When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

The City reported the following ending cash/investment balances as reserved based on external and/or internal commitments:

<u>Funding</u>	<u>Purpose</u>	<u>Balance as of 12/31/2019</u>
101 Street Fund	Street repair/construction	\$ 271,034
107 Growth Fund	Infrastructure improvements	\$ 6,636,173
114 Lodging Tax Fund	Tourism promotion	\$ 53,688
111 Art Fund	Public Art	\$ 119,641
180 Transportation Sales Tax Fund	Road Improvements	\$ 1,162,659
303 REET 1 Fund	Capital improvement	\$ 820,758
304 REET 2 Fund	Capital improvement	\$ 1,141,869
404 Sewer Fund	Debt reserves	\$ 1,022,699
702 Cemetery Endowment	Preservation of cemetery	\$ 313,758

Note 2 – Budget Compliance

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

Biennial 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 2019 are shown on the following page, which includes the final budget amendment adopted December 16th, 2019.

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

2019 Budget - All Funds			
2019	Budget	Actual Expenses	Variance
	<i>Final Appropriated Amounts</i>		
001 - General Fund	\$ 20,801,560	\$ 19,336,601	\$ 1,464,959
005 - Program Development Fund	\$ 102,000	\$ 80,468	\$ 21,532
105 - Health Services Fund	\$ 9,000	\$ 7,531	\$ 1,469
Total 001 - General Fund	\$ 20,912,560	\$ 19,424,600	\$ 1,487,960
101 - Street Maintenance Fund	\$ 1,340,845	\$ 1,161,798	\$ 179,047
107 - Growth Fund	\$ 627,225	\$ 61,773	\$ 565,452
108 - Emergency Medical Services Fund	\$ 5,868,218	\$ 5,769,067	\$ 99,151
111 - Public Art Fund	\$ -		\$ -
114 - Lodging Tax Fund	\$ 154,191	\$ 138,207	\$ 15,984
116 - Cemetery Fund	\$ 233,722	\$ 217,391	\$ 16,331
180 - Transportation Sales Tax Fund	\$ 1,141,500	\$ 1,008,782	\$ 132,718
303 - REET I Fund	\$ 446,046	\$ 399,822	\$ 46,224
304 - REET II Fund	\$ 288,272	\$ 288,021	\$ 251
305 - Capital Facilities/Building Fund	\$ 1,097,500	\$ 998,885	\$ 98,615
310 - Transportation Improvement Fund	\$ 1,810,805	\$ 1,155,704	\$ 655,101
311 - Park Improvement Fund	\$ 1,427,216	\$ 1,045,179	\$ 382,037
312 - Library Capital Improvement Fund	\$ -	\$ -	\$ -
316 - Cemetery Capital Improvement Fund	\$ -	\$ -	\$ -
320 - Equipment Replacement Fund	\$ 1,916,944	\$ 1,529,160	\$ 387,784
402 - Airport Fund	\$ 4,415,774	\$ 3,988,221	\$ 427,553
410 - Airport Reserve Fund	\$ 1,750,000	\$ 1,396,861	\$ 353,139
413 - Airport CIP Fund	\$ 1,950,000	\$ 1,887,449	\$ 62,551
Total 402 - Airport Fund	\$ 8,115,774	\$ 7,272,532	\$ 843,242
403 - Water Fund	\$ 4,164,542	\$ 4,155,004	\$ 9,538
405 - Water Improvement Fund	\$ 3,378,681	\$ 1,706,947	\$ 1,671,734
Total 403 - Water Utility Fund	\$ 7,543,223	\$ 5,861,951	\$ 1,681,272
404 - Sewer Fund	\$ 6,062,316	\$ 5,947,749	\$ 114,567
406 - Sewer Improvement Fund	\$ 988,904	\$ 204,004	\$ 784,900
411 - Sewer Bond Reserve Fund	\$ -	\$ -	\$ -
Total 404 - Sewer Utility Fund	\$ 7,051,220	\$ 6,151,753	\$ 899,467
409 - Stormwater CIP Fund	\$ 466,000	\$ 232,380	\$ 233,620
412 - Stormwater Management Fund	\$ 1,320,348	\$ 1,047,606	\$ 272,742
Total 412- Stormwater Fund	\$ 1,786,348	\$ 1,279,986	\$ 506,362
504 - Maintenance & Operations Fund	\$ 1,686,279	\$ 1,655,575	\$ 30,705
622 - Cemetery Pre-Need Trust Fund	\$ 2,000	\$ 140	\$ 1,860
702 - Cemetery Endowment Fund	\$ -		
Grand Totals	\$ 63,449,888	\$ 55,420,326	\$ 8,029,562

Budget Variance:

001 – General Fund:

- \$120,000 Budget for Revitalization Program: Project delayed and will be in 2020.
- \$300,000 Transfer to EMS: EMS budget was sustainable no transfer needed.
- \$123,609 CED Budget: Savings was in salary line items do to unfilled position.
- \$143,448 Police Budget: Overall savings in operating budget.
- \$116,840 Budget: Overall savings in operating budget.
-

107 – Growth Fund:

- Budget includes transfer to (310) Transportation Improvement Fund for funding road projects which were either delayed or did not receive grant funding. See projects below.

310 – Transportation Improvement Fund:

- \$222,250 Budget - 173rd Design and Construction project on hold due to no grant funding.
- \$127,760 Budget - 204th/77th Roundabout project: Carryover to 2020.
- \$72,225 Budget – 40th Ave/SR 531 Intersection project: City received grant funding in November construction carryover to 2020.
- \$156,912 Budget – 74th/204th Signal Project: The City did not receive grant funding, postponed project to 2020 with city funds.
- \$395,000 Budget – BNSF 67th Ave Rail/Trail Project: Delayed to 2020

402 – Airport:

- \$250,000 Budget – West Side Redevelopment: Project postponed until 2020 to include with other fiber optic installation.

405 – Water Improvement Fund

- \$650,000 Budget - 520 Zone Booster Project; Project for expanding water service outside city limits – On hold until later time.
- \$458,873 Budget – New Water Source Development Study – Moved to 2020/2021; Working with DOE and new consultant on finding a new location for an additional well.

406- Sewer Improvement Fund

- \$481,678 Lift Station Upgrades & construction postponed to 2020 due to staffing.
- \$125,000 Sewer Main Replacement Rehab project – on hold until 2020
- \$35,000 Compost Facility Improvements – on hold until 2020

Amendments:

2019 total amendments were \$9,209,468.

2019 BUDGET AMENDMENTS	
2019	AMENDMENTS
GENERAL FUND	\$ 2,800,500
STREETS MAINTENANCE FUND	152,000
SOCIAL SERVICES FUND	4,000
GROWTH FUND	70,000
EMERGENCY MEDICAL SERVICES FUND	1,172,000
CEMETERY FUND	27,500
CAPITAL FACILITIES/BUILDING FUND	1,045,000
TRANSPORTATION IMPROVEMENT FUND	580,368
PARK IMPROVEMENT	744,000
EQUIPMENT REPLACEMENT FUND	716,000
AIRPORT FUND	719,000
WATER IMPROVEMENT FUND	74,000
SEWER IMPROVEMENT FUND	200,000
STORM WATER CIP FUND	131,000
AIRPORT RESERVE FUND	350,000
AIRPORT CIP	400,000
MAINTENANCE & OPERATIONS FUND	24,100
GRAND TOTAL ALL FUNDS	<u>\$ 9,209,468</u>

001 - General Fund: Building department consultant, payoff Fire 2015 LTGO Fire engine and transfer to Capital Facilities Fund from construction sales tax received.

108 – EMS Fund: Transfer to Capital Facilities for future Fire Station, increase expenses for EMS billing services.

305 – Capital Facilities Fund: Transfer to Park Improvement fund for community garden, transfer to the General Fund to pay off Fire apparatus.

311 – Park Improvement: Splash Park and Innovation Center projects.

320 – Equipment Replacement: Water/Sewer/Storm purchased a Vactor Truck: Street Department Rotary head for Kubota Mower.

Note 3 – 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, 2019.

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

2019-Annual Report	G.O. DEBT PRINCIPAL	G.O. DEBT INTEREST	OTHER DEBT PRINCIPAL	OTHER DEBT INTEREST
2020	\$ 850,000	\$ 416,371	\$ 1,787,169	\$ 461,494
2021	\$ 835,000	\$ 383,821	\$ 1,837,430	\$ 619,264
2022	\$ 700,000	\$ 351,971	\$ 1,864,709	\$ 411,676
2023	\$ 730,000	\$ 323,781	\$ 1,892,885	\$ 378,622
2024	\$ 730,000	\$ 294,388	\$ 1,921,988	\$ 397,273
2025-2029	\$ 3,545,000	\$ 1,031,631	\$ 8,265,938	\$ 1,343,816
2030-2034	\$ 2,960,000	\$ 364,800	\$ 2,349,928	\$ 426,835
2035-2039			\$ 1,089,493	\$ 151,256
2040			\$ 61,548	\$ 488
Total	\$ 10,350,000	\$ 3,166,763	\$ 21,071,088	\$ 4,190,724

Note 4 – Interfund Loans

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 2019 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% to be paid on the loan.

The following table displays interfund loan activity during 2019:

2019 Interfund Loans					
Borrowing Fund	Lending Fund	Loan Balance 01/01/18	New Loans	Repayments	Principal Balance
General Fund	Airport	\$ 1,881,604	\$ -	\$ 64,426	\$ 1,817,178
Stormwater	Water CIP	\$ 60,904	\$ -	\$ 49,695	\$ 11,209
		\$ 1,942,508	\$ -	\$ 114,121	\$ 1,828,387

Note 5 – Deposits and Investments

The City of Arlington's investments are reported at original costs, interest earnings are recorded when earned.

Deposits and investments by type at December 31, 2019 are as follows:

Type of Investment	City's Own Investment	Investments held by City as an agent for other governments, individuals or private organizations	Balance
Bank Deposits	\$ 2,450,837.35	\$ -	\$ 2,450,837.35
L.G.I.P	\$ 3,677,007.63	\$ -	\$ 3,677,007.63
OPUS Reserve Account	\$ 2,888,100.82	\$ -	\$ 2,888,100.82
U.S. Government Securities	\$ 37,353,793.61	\$ -	\$ 37,353,793.61
Municipal Securities	\$ 518,874.00	\$ -	\$ 518,874.00
Certificate of Deposits	\$ 1,000,000.00	\$ -	\$ 1,000,000.00
Total	\$ 47,888,613.41		\$ 47,888,613.41

All investments are insured, registered or held by the City of Arlington or its agent in the government's name.

Bank Deposits: as of 12/31/2019, the above bank deposits include petty cash fund and departments cash drawers for daily cash transactions.

On 2/11/2019, by resolution No. 2019-004 we increased the Finance Departments daily cash drawers to \$850.00

Investment in the State Local Government Investment Pool (LGIP) The City of Arlington is a voluntary participant in the Local Government Investment Pool, an external Investment pool operated by the Washington State Treasurer. The pool is not rated and not

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

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

Note 6 – OPEB Plans

During the year ended 2019, the City of Arlington adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

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. Five LEOFF 1 retirees received benefits during 2019 and a total of \$119,046.73 were paid out for those benefits during the year.

- Plan administrator –**City of Arlington**
- OPEB plan is a defined benefit plan.
- The city pays all medical/dental benefits for all LEOFF 1 retirees and out of pocket expense. All expenses are approved through the LEOFF Disability Board before reimbursement.
- 2019 we have Five LEOFF 1 retirees.
- The city paid out \$90,113.29 in medical reimbursements, & \$28,933.44 to LEOFF Health & Welfare Trust, total \$119,046.73.

Note 7 – Pension Plans

State Sponsored Pension Plans

Substantially all city full time and qualifying part time employees participate in the Public Employees Retirement System (PERS) Plan 1, 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.

The State Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems. Contributions to the systems by both employees and employer are based upon gross wages covered by plan benefits.

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

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

The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2019 (the measurement date of the plans), the Cities proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 315,928	0.044060%	\$ 1,694,263
PERS 2/3	\$ 464,548	0.056879%	\$ 552,488
LEOFF 1		0.011973%	(\$ 236,660)
LEOFF 2	\$328,341	.0178086%	(\$4,125,706)
VFFRPF		.20%	\$133,541.17

LEOFF Plan 1

Local Government Pension Plans

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

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

Note 8 – Property Tax

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are usually distributed monthly by the 10th.

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 2019 was:

- \$ 1.526 per \$1,000 on an assessed valuation of \$ 2,779,067,708 for a total regular levy of \$4,242,206.31.

Emergency Medical Services (EMS) levy for 2019 was:

- \$0.361 per \$1,000 on an assessed valuation of \$2,779,067,708 for a total regular levy of \$1,004,321.94.

Note 9 – Joint Ventures, and Related Parties

Snohomish Co 911

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

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties to this Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the City of Arlington's share was \$816,428 on December 31, 2019.

Snohomish County 911's 2019 operating budget was \$23,457,603, operating revenues received were \$24,057,771 and total operating expenditures were \$23,152,188. Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

AHA – Alliance for Housing Affordability:

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

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

A Joint Board composed of an elected official from each member governs AHA. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. An administrative staff housed at the Housing Authority for Snohomish County (HASCO) assists the Board. Fiscal agent duties were transferred to HASCO during fiscal year

2018. The values included in the table below were audited and updated by the new fiscal agent and may be different from what was reported in previous years.

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

Fiscal Year 7/1/17 – 6/30/18	AHA's Total Fiscal Year Budget	City of Arlington's Share of Budget	City of Arlington's Share as % of Total AHA Budget
2014	\$89,850	\$1,074	1.20%
2015	\$92,543	\$1,089	1.18%
2016	\$93,651	\$1,617	1.73%
2017	\$97,934	\$1,754	1.79%
2018	\$102,586	\$1,876	1.83%
2019	\$107,391	\$1,968	1.83%

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

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

Related Parties:

Concession Lease for Haller Park

In May 2019, the City signed a leasing agreement with Simpson Concessionaires LLC to sell concessions at Haller Park concession stand. The Licensee shall pay the city for the Haller Park concession a fee equal to 10% of the monthly gross sales. In 2019 the city received \$4,163.21.

Note 10 – Risk Management

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 163 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 [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and

employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits. In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments, which comply with all State guidelines. A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Note 11 - Other Disclosures

Funds:

401 – Water/Sewer Fund:

On Jan 1, 2019 the city split 401-Water/Sewer fund into two separate funds, 403-Water Fund, 404-Sewer Fund.

Fund		2018	2019
		Ending Fund Balance	Beg Fund Balances
401	Water/Sewer	\$ 17,965,840	
403	Water Utility Fund		\$ 1,012,161
405	Water Capital Fund		\$ 8,925,333
	2019 Water BFB		\$ 9,937,494
404	Sewer Utility Fund		\$ 741,575
406	Sewer Capital Fund	Reserved	\$ 6,264,072
411	Sewer Bond Res Fund		\$ 1,022,699
	Sewer 2019 BFB		\$ 8,028,345
Totals		\$ 17,965,840	\$ 17,965,840

111- Art Fund- 2019 the Art Fund:

March 18th 2019, Council approved by Ordinance Number 2019-003 creating the Public Art Fund. The city will transfer 10% of the amounts collected from construction sales tax. All expenses will be for Public Art or public art-related projects.

Construction Commitments

The City has active construction projects as of December 31, 2019. At year-end, the City's commitments are as follows:

Project	Spent as of 12/31/19	Remaining Commitment	Notes
Jensen Farm Waterline Repair	\$ 294,863.13	\$ 14,158.61	Complete in 2019 Retainage to be paid out in 2020
Haller Park Splash Pad	\$ 831,224.00	\$ 38,090.00	Complete in 2019 Retainage to be paid out in 2020
2019 - 4 Year Utility and Pavement Preservation	\$ 1,841,614.59	\$ 88,511.24	Complete in 2019 Retainage to be paid out in 2020
Terrace Park Renovation	\$ 82,602.31	\$ 3,782.16	Complete in 2019 Retainage to be paid out in 2020
Merchants Parking Lot	\$ 187,106.21	\$ 8,567.14	Complete in 2019 Retainage to be paid out in 2020

Construction on these projects were completed, 2019, the remaining commitment is for contractors final retainage payment. Retainage payments are released when the city receives State Notice of Completion from all 3-state agencies.

Refunding Debt:

In 2020, the city refinanced 3-debt accounts:

- Graafstra Note - Park Land: \$3,200,000
- 2007 LTGO N. Olympic Ave: \$1.620,000
- 2010 LTGO Fire Station: 1,545,000

With refinancing, the city will save \$709,000 in interest over the life of the loans.

Covid-19

On February 29, 2020, the Governor issued a state of emergency in response to the spread of Covid- 19. On March 23, 2020, the Governor continued the stay at home order, but added closure of schools, non- essential businesses, public entities and prohibiting large gatherings.

The business closures and changes in consumer spending has affected the local economy. The City anticipates a revenue shortfall in 2020 of approximately \$455,000. In response to the anticipated revenue shortfall, the city reduced operating expenses by 10%, placed a hiring freeze for most vacant positions and has sufficient reserves to meet cash flows needs through 2020.

State Grant

California Wildfires Grant: in 2019, City firefighters dispatched to help in the California wildfires and submitted grant reimbursement for \$29,658. We received approval notification but as of file date, payment has not been received; we do anticipate reimbursement in 2020.

TIB Advanced Payment Complete Streets Grant: In 2019, the city received \$600,000 in advanced funding for Complete Streets grant. Reported \$26,659 on our 2019 Schedule 15, and grant expenditures continues to 2020.

City of Arlington
Schedule of Liabilities
For the Year Ended December 31, 2019

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2007 LTGO - N Olympic Ave	12/1/2027	1,905,000	-	210,000	1,695,000
251.11	2014 LTGO-Refunding 2004/Police Station	12/1/2034	6,920,000	-	90,000	6,830,000
251.11	2014 LTGO-Refunding 2009/Airport Expansion	12/1/2034	295,000	-	50,000	245,000
251.11	2010 LTGO - Refunding/Fire St.	12/1/2030	1,960,000	-	430,000	1,530,000
251.11	2010 LTGO - Refunding/800 MHZ	12/1/2021	95,000	-	45,000	50,000
251.11	2014 LTGO-Police Vehicles	10/1/2024	60,920	-	60,920	-
251.11	2015 LTGO - Fire Apparatus	6/1/2025	1,115,243	-	1,115,243	-
263.61	Graafstra Note-Park Land	4/1/2040	3,200,000	-	-	3,200,000
Total General Obligation Debt/Liabilities:			15,551,163	-	2,001,163	13,550,000
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liabilities		2,871,824	-	625,072	2,246,752
264.40	OPEB Liabilities		-	2,667,525	-	2,667,525
259.12	Compensated Absences		1,199,319	119,189	-	1,318,508
263.82	2006 PW Loan WWTP - PW-06-962-002	7/1/2026	3,148,374	-	393,547	2,754,827
263.82	2007 PW Loan WWTP - PR07-951-001	7/1/2027	473,685	-	52,632	421,053
263.82	2008 PW Loan WWTP - PC08-951-001	7/1/2028	5,294,118	-	529,412	4,764,706
263.82	Recovery Act Loan-DOE Loan L1000024	7/1/2029	4,052,192	-	272,957	3,779,235
263.82	Base Revolving Fund Loan-DOE Loan L1000025	7/1/2029	6,595,548	-	444,278	6,151,270
Total Revenue and Other (non G.O.) Debt/Liabilities:			23,635,060	2,786,714	2,317,898	24,103,876
Total Liabilities:			39,186,223	2,786,714	4,319,061	37,653,876

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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