



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Snoqualmie

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

Published June 1, 2021

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

June 1, 2021

Mayor and City Council
City of Snoqualmie
Snoqualmie, Washington

Report on Financial Statements

Please find attached our report on the City of Snoqualmie'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

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 Snoqualmie January 1, 2019 through December 31, 2019

Mayor and City Council
City of Snoqualmie
Snoqualmie, 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 Snoqualmie, 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 May 24, 2021.

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 7 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 13 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

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

May 24, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Mayor and City Council
City of Snoqualmie
Snoqualmie, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Snoqualmie, 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 10.

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 Snoqualmie 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 Snoqualmie, 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 Snoqualmie, 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 7 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 13 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

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 May 24, 2021 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

May 24, 2021

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 General	101 Streets Revenue
Beginning Cash and Investments				
30810	Reserved	40,044,588	5,987,241	-
30880	Unreserved	3,885,139	1,920,644	469,527
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	16,865,102	13,584,064	-
320	Licenses and Permits	1,008,217	63,574	284,922
330	Intergovernmental Revenues	1,845,456	369,369	302,182
340	Charges for Goods and Services	21,065,548	3,698,380	-
350	Fines and Penalties	66,761	66,739	-
360	Miscellaneous Revenues	867,037	355,792	5,428
Total Revenues:		41,718,121	18,137,918	592,532
Expenditures				
510	General Government	6,601,478	3,746,165	-
520	Public Safety	10,112,275	10,112,275	-
530	Utilities	6,449,911	36,487	-
540	Transportation	2,270,523	1,362,445	-
550	Natural and Economic Environment	2,868,093	390,640	-
560	Social Services	222,353	222,353	-
570	Culture and Recreation	2,467,397	2,405,951	-
Total Expenditures:		30,992,030	18,276,316	-
Excess (Deficiency) Revenues over Expenditures:		10,726,091	(138,398)	592,532
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	5,585,966	856,950	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	13,442	13,442	-
381, 382, 395, 398	Other Resources	186,228	81,787	-
Total Other Increases in Fund Resources:		5,785,636	952,179	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	8,934,012	20,635	-
591-593, 599	Debt Service	3,113,708	237,383	-
597	Transfers-Out	5,585,966	3,224,793	571,255
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	15,048	13,171	-
581, 582	Other Uses	192,715	70,378	-
Total Other Decreases in Fund Resources:		17,841,449	3,566,360	571,255
Increase (Decrease) in Cash and Investments:		(1,329,722)	(2,752,579)	21,277
Ending Cash and Investments				
5081000	Reserved	38,263,109	2,800,161	-
5088000	Unreserved	4,336,897	2,355,145	490,804
Total Ending Cash and Investments		42,600,006	5,155,306	490,804

The accompanying notes are an integral part of this statement.

110 Hotel/Motel Tax	113 King County Trails Levy	115 Snoqualmie Ridge Capital Mitigation	116 Real Estate Excise Tax	118 Drug Enforcement	119 Tokul Roundabout Impact Fee
33,437	62,837	32,018	2,724,164	34,746	17,362
-	-	-	-	-	-
-	-	-	-	-	-
107,889	-	-	1,824,295	-	-
-	-	-	-	-	-
-	36,532	-	-	-	-
-	-	-	-	-	-
-	-	-	22	-	-
859	958	395	31,420	8,301	214
<u>108,748</u>	<u>37,490</u>	<u>395</u>	<u>1,855,737</u>	<u>8,301</u>	<u>214</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,944	-	-	-	-	-
-	-	-	-	-	-
61,446	-	-	-	-	-
<u>80,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>28,358</u>	<u>37,490</u>	<u>395</u>	<u>1,855,737</u>	<u>8,301</u>	<u>214</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8,786	-	-	-	-	-
-	-	-	2,199	-	-
-	-	-	1,377,223	-	-
-	-	-	-	-	-
-	-	-	-	1,877	-
-	-	-	70,578	-	-
<u>8,786</u>	<u>-</u>	<u>-</u>	<u>1,450,000</u>	<u>1,877</u>	<u>-</u>
<u>19,572</u>	<u>37,490</u>	<u>395</u>	<u>405,737</u>	<u>6,424</u>	<u>214</u>
53,009	100,327	32,413	3,129,901	41,170	17,576
-	-	-	-	-	-
<u>53,009</u>	<u>100,327</u>	<u>32,413</u>	<u>3,129,901</u>	<u>41,170</u>	<u>17,576</u>

The accompanying notes are an integral part of this statement.

120 Riverfront Land Acquisition	121 King Conservation District Grants	130 Community Development	131 Affordable Housing	211 2011 LTGO Bond Debt Service	216 2016 UTGO Bond Debt Service
6,213	56,607	1,050,953	255,206	170,227	20,414
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	248,532
-	-	623,873	-	-	-
587,000	-	16,064	-	-	2
-	-	998,420	-	-	-
-	-	-	-	-	-
20,685	699	14,779	3,150	4,592	1,544
<u>607,685</u>	<u>699</u>	<u>1,653,136</u>	<u>3,150</u>	<u>4,592</u>	<u>250,078</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
142,319	-	2,316,190	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>142,319</u>	<u>-</u>	<u>2,316,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>465,366</u>	<u>699</u>	<u>(663,054)</u>	<u>3,150</u>	<u>4,592</u>	<u>250,078</u>
-	-	-	-	-	-
-	-	444,094	-	353,250	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	27,241	-	-	-
<u>-</u>	<u>-</u>	<u>471,335</u>	<u>-</u>	<u>353,250</u>	<u>-</u>
2,641	-	-	-	-	-
-	-	-	-	350,250	248,407
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	51,759	-	-	-
<u>2,641</u>	<u>-</u>	<u>51,759</u>	<u>-</u>	<u>350,250</u>	<u>248,407</u>
462,725	699	(243,478)	3,150	7,592	1,671
468,938	57,305	807,474	258,357	177,819	22,085
-	-	-	-	-	-
<u>468,938</u>	<u>57,305</u>	<u>807,474</u>	<u>258,357</u>	<u>177,819</u>	<u>22,085</u>

The accompanying notes are an integral part of this statement.

301 Meadowbrook Bridge Maintenance	303 Parks & Playgrounds Capital	305 Flood Reduction Improvement	310 Transportation Capital	313 Riverwalk Construction	316 Construction Contingency
60,693	781,224	9,642	106,386	128,010	452,983
-	-	-	-	-	-
-	-	-	-	-	-
-	60,000	-	318,134	-	-
-	-	-	-	-	-
-	174,955	-	275,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
947	12,165	119	4,602	1,541	5,592
<u>947</u>	<u>247,120</u>	<u>119</u>	<u>597,736</u>	<u>1,541</u>	<u>5,592</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>947</u>	<u>247,120</u>	<u>119</u>	<u>597,736</u>	<u>1,541</u>	<u>5,592</u>
-	-	-	-	-	-
16,000	300,000	-	200,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	18,578	-	3,009	-	-
<u>16,000</u>	<u>318,578</u>	<u>-</u>	<u>203,009</u>	<u>-</u>	<u>-</u>
-	403,549	-	282,805	15,799	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	403,549	-	282,805	15,799	-
<u>16,947</u>	<u>162,149</u>	<u>119</u>	<u>517,940</u>	<u>(14,258)</u>	<u>5,592</u>
77,640	943,373	9,761	624,326	113,752	458,575
-	-	-	-	-	-
<u>77,640</u>	<u>943,373</u>	<u>9,761</u>	<u>624,326</u>	<u>113,752</u>	<u>458,575</u>

The accompanying notes are an integral part of this statement.

318 River St & SR202 Pedestrian Signal	319 Kimball Ck Box Culvert Construction	320 Tokul Roundabout Construction	323 Tokul Parking Lot	324 Snoqualmie Parkway Maintenance	326 Sidewalks Construction
21,934	20,771	296,863	136	854,025	1,173,710
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	203,029	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
271	256	3,664	2	11,894	14,319
<u>271</u>	<u>256</u>	<u>3,664</u>	<u>2</u>	<u>214,923</u>	<u>14,319</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>271</u>	<u>256</u>	<u>3,664</u>	<u>2</u>	<u>214,923</u>	<u>14,319</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	170,197
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,197</u>
<u>271</u>	<u>256</u>	<u>3,664</u>	<u>2</u>	<u>214,923</u>	<u>(155,878)</u>
22,205	21,028	300,527	137	1,068,948	1,017,833
-	-	-	-	-	-
<u>22,205</u>	<u>21,028</u>	<u>300,527</u>	<u>137</u>	<u>1,068,948</u>	<u>1,017,833</u>

The accompanying notes are an integral part of this statement.

327 Complete Streets Award	329 Facilities Capital	401 Combined Utilities	501 Equipment Replacement & Repair	502 Information Technology	503 Risk Management
254,220	-	20,443,991	3,249,487	1,739,088	-
-	-	-	56,495	37,576	82,640
-	-	-	-	-	-
-	519,159	-	-	-	-
-	-	35,848	-	-	-
-	-	84,352	-	-	-
-	-	12,098,854	1,145,122	1,713,550	340,212
-	-	-	-	-	-
2,953	30,518	240,900	42,482	24,615	324
<u>2,953</u>	<u>549,677</u>	<u>12,459,954</u>	<u>1,187,604</u>	<u>1,738,165</u>	<u>340,536</u>
-	-	-	-	1,392,208	424,935
-	-	-	-	-	-
-	-	6,413,424	-	-	-
-	-	-	908,078	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	6,413,424	908,078	1,392,208	424,935
<u>2,953</u>	<u>549,677</u>	<u>6,046,530</u>	<u>279,526</u>	<u>345,957</u>	<u>(84,399)</u>
-	-	-	-	-	-
-	3,415,672	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	15,000	17,257	-	23,356
<u>-</u>	<u>3,415,672</u>	<u>15,000</u>	<u>17,257</u>	<u>-</u>	<u>23,356</u>
233,079	-	7,458,296	154,820	170,698	-
-	-	2,275,469	-	-	-
-	-	412,695	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>233,079</u>	<u>-</u>	<u>10,146,460</u>	<u>154,820</u>	<u>170,698</u>	<u>-</u>
(230,126)	3,965,349	(4,084,930)	141,963	175,259	(61,043)
24,093	3,965,349	16,359,061	3,364,107	1,925,859	-
-	-	-	83,839	26,065	21,598
<u>24,093</u>	<u>3,965,349</u>	<u>16,359,061</u>	<u>3,447,946</u>	<u>1,951,924</u>	<u>21,598</u>

The accompanying notes are an integral part of this statement.

510 Facilities Maintenance	511 Shared Services
-	-
1,280,778	37,479
-	-
-	-
-	-
-	-
662,420	408,590
-	-
16,063	4,994
<u>678,483</u>	<u>413,584</u>
630,529	407,641
-	-
-	-
-	-
-	-
-	-
-	-
<u>630,529</u>	<u>407,641</u>
<u>47,954</u>	<u>5,943</u>
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
12,707	-
-	-
-	-
-	-
-	-
-	-
<u>12,707</u>	<u>-</u>
<u>35,247</u>	<u>5,943</u>
-	-
1,316,025	43,421
<u>1,316,025</u>	<u>43,421</u>

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	4,530	4,530
388 & 588	Net Adjustments	-	-
310-390	Additions	44,194	44,194
510-590	Deductions	44,779	44,779
	Net Increase (Decrease) in Cash and Investments:	(585)	(585)
508	Ending Cash and Investments	3,944	3,944

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Snoqualmie was incorporated on May 18, 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 (RCW 35A). The City is a general purpose local government and provides police, fire, parks, street improvement, water, wastewater, stormwater, planning, zoning, building inspection and general administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- 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 City 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 City'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 - 001

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 - Funds in the 100 series

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

Debt Service Funds - Funds in the 200 series

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

Capital Projects Funds - Funds in the 300 series

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

PROPRIETARY FUND TYPES:

Enterprise Funds - Funds in the 400 series

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

Internal Service Funds – Funds in the 500 series

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 a custodian on behalf of others.

Custodial Funds – Funds in the 630 series

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

- B. Basis of Accounting and Measurement Focus
Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid. In accordance with state law the City also recognizes expenditures paid during the first 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 individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.
- E. Compensated Absences
Management and Teamster employees may accumulate and carry over up to two times their annual vacation leave. Firefighter employees may accumulate and carry over up to 264 hours of vacation leave. Police officers may accumulate and carry over up to 320 hours of vacation leave. Accumulated vacation is payable upon separation or retirement. Carryover dates are based on employee anniversary dates.

Management, Teamster and Police employees may accumulate and carry over up to 720 hours of sick leave into the following year. Firefighter employees may accumulate and carry over up to 1,080 hours of sick leave. Police employees receive a 33% payment for any sick leave hours over their maximum carryover limit at year-

end. By December of each year, Firefighter and Teamster employees may elect to receive a percentage of their accumulated sick leave over and above their maximum carryover limit at year-end. Firefighter employees can receive a 33% payment, while Teamster employees can receive a 25% payment. In addition, Teamster employees, after accumulating more than 240 hours of sick leave, and in a year in which they have used less than 16 hours of sick leave, may elect to receive a cash payment of one hour for each three hours, up to the 96 hours that were accrued that year, provided that their accumulated sick leave will not be allowed to go below 240 hours. Employees do not receive payment for unused sick leave upon separation or retirement.

Management, Teamster and Police employees may accumulate compensatory time, and employees may carry up to 24 hours over into the following year. Teamster and Police employees receive payment for all unused compensatory time upon separation or retirement.

F. Long-Term Debt
See Note #4, *Long-Term Debt*.

G. Reserved Portion of Ending Cash and Investments
Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance. When expenditures that meet these restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

General Fund 001	\$2,800,161	Various Reserves established by City Council
Hotel/Motel Tax Fund 110	53,009	Legislative Restriction - Tax
King County Trails Levy Fund 113	100,327	Legislative Restriction - Tax
SR Capital Mitigation Fund 115	32,413	Developer Agreements
Real Estate Excise Tax Fund 116	3,129,901	Legislative Restriction - Tax
Drug Enforcement Fund 118	41,170	Legislative Restriction – Confiscated Property
Tokul Roundabout Impact Fee Fund 119	17,576	Developer Agreements
Riverfront Property Acquisition Fund 120	468,938	Grantor Restrictions
King Conservation Dist Grants Fund 121	57,305	Grantor Restrictions
Development Services Fund 130	807,474	Legislative Restrictions – Building Permit Fees
Affordable Housing Fund 131	258,357	Reserve established by City Council
2011 LTGO Bond Debt Service Fund 211	177,819	Bond Covenant Restrictions
Voted 2016 UTGO Bond Debt Service Fund 216	22,085	Voter Restriction – Tax
Capital Improvement Funds 300s	8,647,547	Developer Agreements, Grantor Restrictions
Utilities Funds 400s	16,359,061	Bond Covenant & Legislative Restrictions
Equipment Replacement & Repair Fund 501	3,364,107	Equipment Reserve by City Council
Information Technology Fund 502	1,925,859	Equipment Reserve by City Council
Treasurer's Custodial Control Fund 633	32	Fiduciary Restriction
Medical Flexible Spending Account Fund 634	<u>\$3,913</u>	Fiduciary Restriction
Total	<u>\$38,267,055</u>	

NOTE 2 – BUDGET COMPLIANCE

The City adopts biennial appropriated budgets for all governmental and proprietary funds. These budgets are appropriated at the fund level, except the General Fund, where the budget is adopted at the functional classification level, which can be either a department or a group of related departments. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for all funds lapse at the fiscal biennium end.

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

The appropriations and actual expenditures for the legally adopted budgets were as follows:

<u>Fund</u>	<u>Final Appropriated Biennial Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
GENERAL FUND 001			
Administrative Departments	\$8,137,058	\$3,927,164	\$4,209,894
Police Department	10,326,796	4,653,895	5,672,901
Fire & Emergency Management Dept.	6,508,695	3,272,454	3,236,241
Parks Department	4,549,026	2,179,559	2,369,468
Street Maintenance Department	2,666,939	1,369,771	1,297,167
Non-Departmental	2,641,717	1,418,300	1,223,417
Sub-total General Fund 001	34,830,231	16,821,143	18,009,088
MANAGERIAL FUNDS			
Contingency Reserve Fund 002	268,031	268,031	0
Revolving Reserve Fund 004	3,055,935	2,788,449	267,486
Street Overlay Reserve Fund 005	735,288	0	735,288
Fire Equipment Reserve Fund 011	146,100	0	146,100
Arts Activities Fund 012	21,154	7,655	13,499
North Bend Police Services Fund 014	4,029,000	2,227,792	1,801,208
Environmental Sustainability Fund 015	45,000	13,101	31,899
Human Services Fund 016	457,614	224,577	233,037
Jeanne Hansen Fields Maint. Fund 122	336,169	0	336,169
SPECIAL REVENUE FUNDS			
Streets Revenue Fund 101	1,036,207	571,255	464,952
Hotel/Motel Tax Fund 110	182,000	89,176	92,824
King County Trails Levy Fund 113	92,460	0	92,460
Real Estate Excise Tax Fund 116	2,976,840	1,450,000	1,526,840
Drug Enforcement Fund 118	-0-	1,877	(1,877)
Riverfront Land Acquisition Fund 120	672,303	144,960	527,343
Community Development Fund 130	4,359,752	2,355,709	2,004,043
DEBT SERVICE FUNDS			
2011 LTGO Bond Debt Service Fund 211	702,300	350,250	352,050
2016 UTGO Bond Debt Service Fund 216	491,660	248,408	243,252

<u>Fund</u>	<u>Final Appropriated Biennial Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
CAPITAL PROJECTS FUNDS			
Meadowbrook Bridge Maint Fund 301	77,943	0	77,943
Parks & Playgrounds Capital Fund 303	3,284,430	403,549	2,880,880
Transportation Capital Fund 310	5,253,998	282,805	4,971,193
Riverwalk Construction Fund 313	130,010	15,799	114,211
Construction Contingency Fund 316	462,983	0	462,983
River St Pedestrian Signal Construction 318	22,434	0	22,434
Kimball Creek Box Culverts Const Fund 319	21,271	0	21,271
Tokul Roundabout Construction Fund 320	306,863	0	306,863
Snoqualmie Parkway Maintenance 324	1,049,178	0	1,049,178
Sidewalks Construction Fund 326	1,188,710	170,196	1,018,514
Complete Streets Award Fund 327	264,220	233,079	31,140
Facilities Capital Fund 229	82,500	0	82,500
ENTERPRISE FUNDS			
Water Operations Fund 401	9,050,366	4,198,130	4,852,237
Sewer Operations Fund 402	10,151,015	4,945,727	5,205,288
Stormwater Operations Fund 403	3,916,929	1,785,888	2,131,041
2017 Refunding Bond Debt Service 407	1,026,083	402,781	623,302
2018 Revenue Bond Devt Service 408	3,570,000	1,779,106	1,790,894
Utility Capital Fund 417	19,088,579	7,464,049	11,624,530
INTERNAL SERVICE FUNDS			
Equipment Replace & Repair Fund 501	3,342,587	1,062,898	2,279,689
Information Technology Fund 502	4,144,984	1,562,906	2,582,078
Risk Management Fund 503	1,666,821	424,936	1,241,885
Facilities Maintenance Fund 510	2,190,460	643,236	1,547,225
Shared Services Fund 511	<u>916,549</u>	<u>407,641</u>	<u>508,907</u>
TOTAL BUDGET	<u>\$125,646,955</u>	<u>\$53,345,108</u>	<u>\$72,301,847</u>

Budgeted amounts are authorized to be transferred between functional classifications or departments within any fund; however any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

Budget amendments during 2019 altered the total appropriations for a number of funds. Significant amendments included the following:

The Contingency Reserve Fund (#002) budget was increased by \$268,031 to authorize a transfer to the General Fund (#001) to allow for additional appropriation authority of the same amount in the Street Maintenance functional classification. This amendment was in response to a Mayoral Declaration of Emergency in response to a severe winter snowstorm.

The Fire Equipment Replacement Fund (#011) budget was increased by \$101,100 to allow for the purchase of Self-Contained Breathing Apparatus (SCBA) not previously appropriated.

Following Council approval of the City's 2020-2025 Non-Utilities Capital Improvement Plan, budgets for the following funds were amended to appropriate project funding and to authorize transfers as a first step in the process of reducing the number of funds in the City Treasury in the future:

- General Fund #001
- Street Overlay Reserve Fund #005
- Streets Revenue Fund #101
- King County Trails Levy Fund #113
- Snoqualmie Ridge Capital Mitigation Fund #115
- Real Estate Excise Tax Fund #116
- Tokul Roundabout Impact Fee Fund #119
- Riverfront Land Acquisition Fund #120
- Jeanne Hansen Fields Maintenance Fund #122
- 2011 LTGO Bond Debt Service Fund #211
- 2016 UTGO Bond Debt Service Fund #216
- Meadowbrook Bridge Maintenance Fund #301
- Parks & Playgrounds Capital Fund #303
- Transportation Capital Fund #310
- Riverwalk Construction Fund #313
- Construction Contingency Fund #316
- River St & SR 202 Pedestrian Signal Construction Fund #318
- Kimball Creek Box Culverts Construction Fund #319
- Tokul Roundabout Construction Fund #320
- Snoqualmie Parkway Maintenance Fund #324
- Sidewalks Constructon Fund #326
- Complete Streets Award Fund #327
- Facilities Capital Fund #329

NOTE 3 – COMPONENT UNITS, JOINT VENTURES and RELATED PARTIES

JOINT VENTURES

eCityGov Alliance

The city is a participant (Principle Partner) with the cities of Issaquah, Kenmore, Kirkland, Sammamish and Snoqualmie in a joint venture called eCityGov Alliance (eCityGov). eCityGov was created to develop, own, operate, manage, and maintain online public service programs and services. Prior to 2014, eCityGov was a joint operation under an interlocal agreement. As of March 1, 2014, eCityGov formed a legally separate not-for-profit corporation. It remains an agency fund of the city. eCityGov is governed by an Executive Board composed of the Chief Executive Officer, Chief Administrative Officer, or designee of each Principle Partner.

A Principle Partner may withdraw by written notice to the Executive Board. Any portion of annual fees for the current calendar year shall be forfeited upon such withdrawal. The

withdrawing Principle Partner also forfeits the Principle Partner proportionate interest, including but not limited to: ownership rights to hardware, software intellectual property owned by eCityGov, and any future revenues associated with eCityGov products and services.

Upon dissolution of the corporation, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor or in the event the contributor had previously resigned as a Principle Partner, the Executive Board shall determine the disposition of the contributed asset(s); (2) all other real and personal property purchased after the effective date of the interlocal agreement shall be distributed to the Principle Partner based upon each Principle Partner's proportional ownership interest at the time of the sale of the property; (3) ownership of intellectual property, including but not limited to, copyrighted and trademarked materials, software code, web designs and templates, web content, data and interfaces shall be transferred fully and equally to each Principle Partner; and (4) Principle Partner owned data shall be returned to the owner.

All Principle Partner, Subscribers and Basic Members remit annual fees. The City paid \$18,510 in fees in 2019. Expenditures in 2019 were \$1.3 million, revenues were \$1.4 million. The Principle Partner will each have a percentage proportional ownership interest in all such property based upon the city's population as a percentage of total population of all Principle Partner cities and will proportionally share in obligations and benefits, financial or otherwise, from such ownership interest. Principle Partner fees and voting are based on relative population, equity balances are as follows, with dollars in thousands:

Jurisdiction	Population*	Percentage	Equity**
Bellevue	145,300	38.93%	\$ 488
Issaquah	37,590	10.07%	126
Kenmore	23,320	6.25%	78
Kirkland	88,940	23.83%	299
Sammamish	64,410	17.26%	216
Snoqualmie	13,670	3.66%	46
TOTALS	373,230	100%	\$ 1,253

*2019 Population figures were provided by the State of Washington Office of Financial Management which were used to update population and cost allocation for Principle Partner.

Complete financial statements for eCityGov Alliance can be obtained from City of Bellevue, Information Technology Department, PO Box 90012, Bellevue, WA 98009.

North East King County Regional Public Safety Communications Agency (NORCOM)

In November 2007, the City of Snoqualmie, together with the cities of Bellevue, Bothell, Clyde Hill, Kirkland, Medina and Mercer Island, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated

emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (NORCOM). NORCOM includes 9-1-1 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member and subscriber based on average call volume. For 2019, Snoqualmie's share of these fees was \$47,736.

Additional financial information can be obtained from NORCOM, c/o Finance Manager, P.O. Box 50911, Bellevue, WA 98015.

The City uses NORCOM dispatching services for fire and EMS resources. Snoqualmie Police Department uses Issaquah Police Department for dispatching law enforcement personnel, with Redmond Police Department serving as backup facilities in case of a disruption in Issaquah's ability to provide services.

NOTE 4 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (Schedule 09) provides more details about the outstanding debt and liabilities of the City and summarizes the City's debt transactions for the year ended December 31, 2019.

Debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$1,634,984	\$1,463,658	\$3,098,642
2021	1,570,739	1,405,970	2,976,709
2022	1,481,617	1,350,822	2,832,439
2023	1,246,118	1,298,081	2,544,200
2024	1,296,342	1,247,881	2,544,223
2025-2029	6,519,465	5,412,858	11,932,323
2030-2034	4,980,977	4,297,804	9,278,781
2035-2039	5,560,000	3,327,600	8,887,600
2040-2044	6,765,000	2,122,800	8,887,800
2045-2048	<u>6,450,000</u>	<u>657,400</u>	<u>7,107,400</u>
TOTALS	<u>\$37,505,242</u>	<u>\$22,584,874</u>	<u>\$60,090,116</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Deposits and Investments by type at December 31, 2019 are as follows:

<u>Type of Deposit or Investment</u>	<u>City's Own Investments and Deposits</u>	<u>Deposits Held by City as Custodian for Other Governments, Individuals or Organizations</u>	<u>TOTALS</u>
Bank Deposits and Cash On Hand	\$13,324,156	\$3,944	\$13,328,100
Local Government Investment Pool	11,441,139	0	11,441,139
U.S. Government Securities	15,762,648	0	15,762,648
Demand Deposit Account (Opus Bank)	<u>2,072,064</u>	<u>0</u>	<u>2,072,064</u>
TOTALS	<u>\$42,600,007</u>	<u>\$3,944</u>	<u>\$42,603,951</u>

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

Investments in the State Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the Securities & Exchange Commission (SEC). Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at 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, or online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. The City's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

NOTE 6 – INTERFUND LOANS

The following table displays interfund loan activity during 2019:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2019</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2019</u>
322	001	\$109,939.83	-0-	\$70,578.32	\$39,361.51
TOTALS		<u>\$109,939.83</u>	<u>-0-</u>	<u>\$70,578.32</u>	<u>\$39,361.51</u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

During the year ended December 31, 2019, the City adopted guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS Manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26.150. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. These benefits include medical, vision, nursing care, etc. As of December 31, 2019, the plan had 1 member, a retiree. As of December 31, 2019, the City's total OPEB liability was \$571,206, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City paid \$26,574 in benefits.

NOTE 8 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

Public Employees Retirement System (PERS)
Public Safety Employees Retirement System (PSERS)
Law Enforcement Officers & Fire Fighters Retirement System (LEOFF)

The State Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), 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 by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

The DRS CAFR may also 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 City's proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	<u>Employer Contributions</u>	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	\$ 312,572	0.043592%	\$1,676,267
PERS 2/3	453,611	0.055539%	539,473
PSERS 2	5,933	0.018405%	(2,393)
LEOFF 1	---	0.004980%	(98,435)
LEOFF 2	226,002	0.122579%	(2,839,779)
VFFRPF*	654*	0.280000%*	(147,004)*

*During 2016, the City began participating in the VFFRPF and paying the required annual contributions for each eligible volunteer firefighter. In late 2017, the employee who administered the annual payment of contributions retired. The replacement employee overlooked the payment of these modest contributions for 2019. The Board allocates proportionate shares of the system's liability (asset) to each participating employer based solely on contributions paid in the current year. Since the city did not pay any contributions in 2019 (this oversight was corrected in 2020), the Board did not allocate any liability (asset) to the City for 2019. The City feels it makes more sense to report the figures from 2018 over again than to report no liability (asset) at all, given that the city is still participating in the plan.

LEOFF PLAN 1

The City participates in LEOFF Plan 1. 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 does not have any active employees who are members of LEOFF Plan 1. There is one retired City of Snoqualmie employee who is currently receiving benefits from LEOFF Plan 1 (See Note 7 – Other Post Employment Benefits.)

LEOFF PLAN 2

The City also participates in 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 9 – DEFERRED COMPENSATION PLANS

The City of Snoqualmie offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. Plans are available with ICMA Retirement Systems, the Washington State Department of Retirement Systems Deferred Compensation Plan, and the ING Deferred Compensation Plan. The plans are available to all employees, and permit them to defer a portion of their salary until future years. Compensation deferred is not available to employees until termination, retirement, death, or unforeseeable emergency. The City matches employee contributions to these plans up to certain monthly limits. The City also offers limited non-matching contributions to these plans that do not require an employee contribution. Total City contributions to all three deferred compensation plans in 2019 were \$230,564.

NOTE 10 – PROPERTY TAXES

The King County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed within two days of receipt by the County. Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City's regular levy for the year 2019 was \$2.31836 per \$1,000 on an assessed valuation of \$3,465,848,319 for a total regular levy of \$8,035,080. In 2019 the City also levied \$0.07166 per \$1,000 for a total additional levy of \$248,379 for the purpose of paying principal and interest on the City's voter-approved 2016 General Obligation Bonds.

NOTE 11 - RISK MANAGEMENT

The City of Snoqualmie 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. 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, including \$1,000 for automobile damage and \$5,000 for property damage.

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 12 – CONTINGENCIES AND LITIGATION

The City has advance refunded various bond issues in order to take advantage of reduced interest rates and lowered annual debt service payments. The refunded bonds are considered to be extinguished for financial reporting purposes even though the City has not met the legal requirements for a defeasance and so legally remains the primary obligor on the indebtedness. The proceeds from the sale of refunding (new) debt, together with any other funds the City may set aside for payment of refunded debt, is irrevocably placed with an escrow agent in a trust. The escrow agent invests the proceeds so that the cash realized from the maturing investments, together with interest earnings, will meet the debt service requirements of the refunded (old) debt and redeem the balance of the old debt when it becomes callable or matures. Cash or other assets used for refunding must qualify as "essentially risk-free as to amount, timing and collection of principal and interest" and they must provide cash flows that are sufficient and timed to match the scheduled interest and principal payments on the debt that is being extinguished. This then constitutes an in-substance defeasance. Also, the chance of the City being required to make any additional future payments must be remote. The following bond issues have been in-substance defeased through advance refunding transactions, and the principal amounts that remain outstanding as of December 31, 2019 are as follows:

<u>Bond Issue</u>	<u>Original Purpose</u>	<u>Principal Balance</u>
2002 UTGO	Fire Station Construction	\$745,000
2011A LTGO	City Hall Construction	<u>346,546</u>
TOTALS		<u>\$1,091,546</u>

The City participates in a number of federal and state financial assistance programs. These grants are subject to audit by the grantor agencies or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

NOTE 13 - OTHER DISCLOSURES

CONSTRUCTION COMMITMENTS

The City has four active construction projects as of December 31, 2019. The projects include: The Downtown Snoqualmie Infrastructure Improvement Program ("Greek Streets"), the I-90 & SR 18 Onramp Improvement Project, the 2019 Sidewalks Repair & Replacement Project and the LED Streetlights Conversion Project. At year-end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Downtown Snoqualmie Infrastructure Improvement Program ("Greek Streets")	\$3,036,776	\$209,662
I-90 & SR 18 Onramp Improvement Project	84,542	512,887
2019 Sidewalks Repair & Replacement Project	143,899	134,823
LED Streetlights Conversion Project	170,034	80,616
TOTALS	\$3,435,251	\$937,988

In accordance with its Utility Capital Improvement Plan, the City issued revenue bonds to provide funding for the Downtown Snoqualmie Infrastructure Improvement Program ("Greek Streets") commitment, plus additional projects scheduled for completion by December 31, 2022. The City Council passed Ordinance No. 1201 on May 14, 2018 authorizing the issuance of utility revenue bonds in the aggregate principal amount not to exceed \$35,600,000. The actual amount of bonds issued was \$30,740,000.

The I-90 & SR 18 Onramp Improvement Project is being funded by a partnership agreement with the Washington State Department of Transportation (WSDOT). The City has signed Memoranda of Understanding with the City of Covington, the City of Maple Valley and the Snoqualmie Indian Tribe, which have all contributed monies toward the City's share of project expenditures.

Both the 2019 Sidewalks Repair & Replacement Project and the LED Streetlights Conversion Project are funded by grants from the Washington State Transportation Improvement Board (TIB) and other City moneys.

SUBSEQUENT EVENTS

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the outbreak of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measure to slow the spread of the virus have been ordered.

These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

While greatly curbing the spread of the virus, the emergency order has also caused widespread slowing of economic activity and the loss of many jobs, at least temporarily. This reduced level of economic activity will lead to reduced tax revenues for many state and local governments. City management believes that Snoqualmie will experience less severe losses of revenue than many of its municipal neighbors, owing to the nature of the community's population, the nature of its business community and the fact that the City relies most heavily on property taxes and utility taxes, which are much less volatile than sales taxes and some other taxes.

The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.

CHANGES IN FUND PRESENTATION

In accordance with recent changes in guidance provided by the Cash Basis Budgeting, Accounting and Reporting System (BARS), the City of Snoqualmie has revised the presentation of assets formerly held in fiduciary funds.

In years past, foreign dignitaries visiting as official guests of the City placed deposits with the City, to be used to defray various costs incurred during their visits. The City remains in possession of a small amount of residual deposits that were not used or reclaimed at the end of certain visits (\$3,817). These deposits were formerly reported in a Private-Purpose Trust Fund, but there is no formal trust agreement, so the monies are now being reported within the City's General Fund #001.

Similarly, the City of Snoqualmie receives deposits for various purposes, many of which are refundable under certain circumstances, or which may be retained by the City under certain other circumstances. These deposits were formerly reported in an Agency Fund, but in conformance with recent BARS guidance, they are now being reported in various other funds, depending on the purpose served by the deposits, as follows:

Type of Deposit	Amount	Now Reported in Fund:
Security, Damage, Bid and Misc.	\$ 22,101	General Fund #001
Playground Construction	18,878	Parks & Playgrounds Capital #303
Traffic Mitigation	53,500	Transportation Capital #310
Temporary Water Meter	<u>40,000</u>	Water Operations #401
TOTAL	\$134,479	

City of Snoqualmie
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	2011 LTGO Bond (City Hall)	12/1/2021	545,000	-	215,000	330,000
251.11	2011 LTGO Bond (Falls & Cedar Streets)	12/1/2030	920,750	-	59,450	861,300
251.11	2011 LTGO Bond (Falls & Cedar Streets)	12/1/2030	2,254,250	-	145,550	2,108,700
251.22	2016 UTGO Refunding Bond (Fire Station)	12/1/2022	951,243	-	230,429	720,814
263.98	Refundable Deposits Payable		169,316	72,700	107,505	134,511
Total General Obligation Debt/Liabilities:			4,840,559	72,700	757,934	4,155,325
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liability		2,757,233	-	541,493	2,215,740
264.40	OPEB Liability		335,637	262,143	26,574	571,206
252.11	2018 Revenue Bonds (Utilities Infrastructure)	12/1/2048	6,148,000	-	104,000	6,044,000
252.11	2018 Revenue Bonds (Utilities Infrastructure)	12/1/2048	12,296,000	-	208,000	12,088,000
252.11	2018 Revenue Bonds (Utilities Infrastructure)	12/1/2048	12,296,000	-	208,000	12,088,000
252.11	2017 Refunding Revenue Bonds (Utilities Infrastructure)	12/1/2027	649,602	-	66,395	583,207
252.11	2017 Refunding Revenue Bonds (Utilities Infrastructure)	12/1/2027	1,299,204	-	132,790	1,166,414
252.11	2017 Refunding Revenue Bonds (Utilities Infrastructure)	12/1/2027	1,299,204	-	132,790	1,166,414
259.12	Compensated Absences		806,925	1,011,402	1,028,100	790,227
263.88	PWTF Loan #PW-02-691-050	6/1/2022	126,129	-	31,532	94,597
263.84	PWB/DWSRF Loan #00-65120-029	10/1/2021	100,857	-	33,619	67,238
263.88	PWTF Loan #PW-12-951-083	6/1/2031	201,350	-	15,488	185,862
Total Revenue and Other (non G.O.) Debt/Liabilities:			38,316,141	1,273,545	2,528,781	37,060,905
Total Liabilities:			43,156,700	1,346,245	3,286,715	41,216,230

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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

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

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

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

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