



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Stanwood

For the period January 1, 2020 through December 31, 2020

Published December 16, 2021

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

December 16, 2021

Mayor and City Council
City of Stanwood
Stanwood, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Stanwood January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Stanwood are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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 Stanwood January 1, 2020 through December 31, 2020

Mayor and City Council
City of Stanwood
Stanwood, 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 Stanwood, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 9, 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 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 4.

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

December 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Stanwood
January 1, 2020 through December 31, 2020

Mayor and City Council
City of Stanwood
Stanwood, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Stanwood, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

We noted certain matters that we have reported to the management of the City in a separate letter dated December 9, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we have reported to the management of the City in a separate letter dated December 9, 2021.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

December 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Stanwood January 1, 2020 through December 31, 2020

Mayor and City Council
City of Stanwood
Stanwood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Stanwood, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

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 Stanwood 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 Stanwood, and its changes in cash and investments, for the year ended December 31, 2020, 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 Stanwood, as of December 31, 2020, 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 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in

response to this matter are also described in Note 4. 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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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

December 9, 2021

FINANCIAL SECTION

City of Stanwood January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

City of Stanwood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	102 Street Impact Fee Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	21,375,565	5,670,812	120,695	602,771
388 / 588	Net Adjustments	92	92	-	-
Revenues					
310	Taxes	6,798,693	5,286,386	141,503	-
320	Licenses and Permits	552,282	531,828	20,454	-
330	Intergovernmental Revenues	3,830,523	493,801	138,882	-
340	Charges for Goods and Services	6,587,970	556,611	-	328,278
350	Fines and Penalties	20,162	14,749	-	-
360	Miscellaneous Revenues	1,627,265	141,855	1,461	9,263
Total Revenues:		19,416,895	7,025,230	302,300	337,541
Expenditures					
510	General Government	1,166,491	1,166,491	-	-
520	Public Safety	2,228,981	2,228,981	-	-
530	Utilities	2,888,001	-	-	-
540	Transportation	417,663	-	401,666	-
550	Natural/Economic Environment	965,460	965,460	-	-
560	Social Services	10,009	10,009	-	-
570	Culture and Recreation	317,700	317,700	-	-
Total Expenditures:		7,994,305	4,688,641	401,666	-
Excess (Deficiency) Revenues over Expenditures:		11,422,590	2,336,589	(99,366)	337,541
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	730,440	-	-	-
397	Transfers-In	2,202,898	-	62,730	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	185,281	29,009	-	-
Total Other Increases in Fund Resources:		3,118,619	29,009	62,730	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,421,794	261,377	-	-
591-593, 599	Debt Service	1,521,486	-	-	-
597	Transfers-Out	2,202,898	865,398	-	250,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	99,449	42,499	-	-
Total Other Decreases in Fund Resources:		12,245,627	1,169,274	-	250,000
Increase (Decrease) in Cash and Investments:		2,295,582	1,196,324	(36,636)	87,541
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,780,377	8,658	-	690,313
50841	Committed	-	-	-	-
50851	Assigned	14,468,074	2,435,782	84,060	-
50891	Unassigned	4,422,788	4,422,788	-	-
Total Ending Cash and Investments		23,671,239	6,867,228	84,060	690,313

The accompanying notes are an integral part of this statement.

City of Stanwood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		104 Park And Trail Improvement	105 Fire Impact Fees	106 Park Impact Fees	108 Transportation Sales Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	894,550	27,126	136,413	381,574
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	561,210
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	250,888	-	-	-
340	Charges for Goods and Services	-	38,976	227,780	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	40,911	813	4,903	14,197
Total Revenues:		291,799	39,789	232,683	575,407
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	15,997
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	15,997
Excess (Deficiency) Revenues over Expenditures:		291,799	39,789	232,683	559,410
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	907,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	8,094	-	-	-
Total Other Increases in Fund Resources:		915,094	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	632,299	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	25,000	100,000	300,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	4,676	-	-	-
Total Other Decreases in Fund Resources:		636,975	25,000	100,000	300,000
Increase (Decrease) in Cash and Investments:		569,918	14,789	132,683	259,410
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	12,294	41,915	269,097	640,983
50841	Committed	-	-	-	-
50851	Assigned	1,452,174	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,464,468	41,915	269,097	640,983

The accompanying notes are an integral part of this statement.

City of Stanwood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		205 Debt Service Fund	303 Street Construction Fund	320 REET - Capital Improvements	321 REET - Growth Management
Beginning Cash and Investments					
308	Beginning Cash and Investments	149,032	540,870	466,141	831,273
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	46,366	-	381,614	381,614
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,417,367	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,657	19,770	14,159	18,455
Total Revenues:		49,023	2,437,137	395,773	400,069
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		49,023	2,437,137	395,773	400,069
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	25,000	1,112,500	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	12,863	-	-
Total Other Increases in Fund Resources:		25,000	1,125,363	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	3,204,778	-	-
591-593, 599	Debt Service	203,400	-	-	-
597	Transfers-Out	-	-	-	200,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	12,863	-	-
Total Other Decreases in Fund Resources:		203,400	3,217,641	-	200,000
Increase (Decrease) in Cash and Investments:		(129,377)	344,859	395,773	200,069
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	128,720	861,915	1,031,342
50841	Committed	-	-	-	-
50851	Assigned	19,655	757,010	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		19,655	885,730	861,915	1,031,342

The accompanying notes are an integral part of this statement.

City of Stanwood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		401 Sewer Fund	410 Drainage Fund	421 Water Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	5,338,431	1,166,554	5,049,323
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	529,585	-
340	Charges for Goods and Services	2,348,538	956,757	2,131,030
350	Fines and Penalties	2,522	1,032	1,859
360	Miscellaneous Revenues	452,790	124,232	781,799
Total Revenues:		2,803,850	1,611,606	2,914,688
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	1,196,533	421,340	1,270,128
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,196,533	421,340	1,270,128
Excess (Deficiency) Revenues over Expenditures:		1,607,317	1,190,266	1,644,560
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	730,440	-
397	Transfers-In	-	-	95,668
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	68,180	67,135
Total Other Increases in Fund Resources:		-	798,620	162,803
Other Decreases in Fund Resources				
594-595	Capital Expenditures	944,435	1,785,296	1,593,609
591-593, 599	Debt Service	575,692	1,096	741,298
597	Transfers-Out	221,000	-	241,500
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	32,786	-	6,625
Total Other Decreases in Fund Resources:		1,773,913	1,786,392	2,583,032
Increase (Decrease) in Cash and Investments:		(166,596)	202,494	(775,669)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	500,035	68,180	526,925
50841	Committed	-	-	-
50851	Assigned	4,671,798	1,300,868	3,746,727
50891	Unassigned	-	-	-
Total Ending Cash and Investments		5,171,833	1,369,048	4,273,652

The accompanying notes are an integral part of this statement.

City of Stanwood
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		<u>Custodial</u>
308	Beginning Cash and Investments	1,654
388 & 588	Net Adjustments	(92)
310-390	Additions	11,174
510-590	Deductions	<u>10,973</u>
	Net Increase (Decrease) in Cash and Investments:	201
508	Ending Cash and Investments	1,763

The accompanying notes are an integral part of this statement.

City of Stanwood
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Stanwood was incorporated on October 12, 1903 and operates under the laws of the state of Washington applicable to an optional municipal code city. The City of Stanwood is a general purpose local government and provides public safety, fire prevention, street maintenance and improvement, parks, health, social services, and water, drainage, and sewer utilities.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see *Notes 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 presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Stanwood 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 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

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 640 hours. Upon separation or retirement Non-represented employees

receive up to 33% payment for unused sick leave. Union employees, if eligible, receive up to 80 hours of sick leave upon separation or retirement. Payments are recognized as expenditures when paid. Compensatory time may be accumulated up to 100 hours for union employees. Accumulated compensatory time is payable upon separation from employment. Payment of compensatory absences is recognized as an expenditure when paid. The total value of these accruals at December 31, 2020 was \$385,329. On January 1, 2021 all non-represented employees were converted from vacation and sick leave to a PTO program. The maximum accrual of PTO is 680 hours for non-represented employees. The maximum accrual of PTO for Directors is 760 hours. A non-represented employee will be paid up to 320 hours for PTO accumulated upon resignation or separation. Upon completion of 10 years of service, an employee will be paid up to 450 hours of PTO accumulated.

F. Long-Term Debt

See Note 6 - *Debt Service Requirements*.

G. Restricted and Committed Portion of Ending Cash and Investments

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

There were no committed cash and investments at December 31, 2020.

Restricted Ending Cash and Investments consist of:

Fund	Restricted Cash & Investments	Description
General Fund	\$ 5,912	RCW 82.14.530 affordable housing \$5,561.87; special events deposit \$300
Street Impact Fees	\$ 690,313	RCW 82.02 Street impact fess for Capital projects
Street Construction	\$ 128,720	RCW 82.02 Impact Fees Transferred for Capital project
Park & Trail Improvement	\$ 12,294	RCW 60.28 \$8,094 Retention held on Capital Project; \$4,200 deposits for leases
Fire Impact Fees	\$ 41,915	RCW 82.02 Fire impact fees for Capital projects
Park Impact Fees	\$ 269,097	RCW 82.02 Park impact fees for Capital projects
Transportation Sales Tax	\$ 640,983	RCW 36.73 Transportation Benefit District
Building Improvement Fund	\$ 2,746	RCW 60.28 Retention on capital project
Real Estate Excise Tax	\$ 861,915	RCW82.46.030
Real Estate Excise Tax	\$ 1,031,342	RCW82.46.030
Drainage Construction	\$ 68,180	RCW 60.28 Retention on capital project
Water Construction	\$ 114,622	RCW 60.28 Retention on capital project
Water Bond Reserve	\$ 412,303	Required by bond covenant
Sewer Bond Reserve	\$ 500,035	Required by bond covenant
Custodial	\$ 1,763	surcharge, sales tax, and leashold excise tax to be remitted to State
Total	\$ 4,782,140	

Note 2 - Budget Compliance

The City of Stanwood adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end.

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

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund			
001 - General Fund	\$ 6,133,795	\$ 5,783,080	\$ 350,715
107 - Equipment Reserve Fund	\$ 358,000	\$ 196,445	\$ 161,555
109 - Contingency Fund	\$ -	\$ -	\$ -
110 - Building Improvement Fund	\$ 70,000	\$ 67,421	\$ 2,579
115-Tourism & Promotion DSC	\$ 120,000	\$ 108,258	\$ 11,742
Total General Fund	\$ 6,681,795	\$ 6,155,204	\$ 526,591
101 - Street Fund	\$ 444,583	\$ 401,666	\$ 42,917
102 - Street Impact Fee Fund	\$ 250,000	\$ 250,000	\$ -
104 - Park and Trail Improvement Fund	\$ 2,020,000	\$ 636,976	\$ 1,383,024
105 - Fire Impact Fees Fund	\$ 25,000	\$ 25,000	\$ -
106 - Park Impact Fees Fund	\$ 100,000	\$ 100,000	\$ -
108 - Transportation Sales Tax Fund	\$ 317,854	\$ 315,997	\$ 1,857
205 - Debt Service Fund	\$ 204,050	\$ 203,400	\$ 650
103/303 - Street Construction Fund	\$ 3,804,500	\$ 3,217,640	\$ 586,860
120/320 - REET-Capital Improvement	\$ -	\$ -	\$ -
121/321 - REET-Growth Management	\$ 200,000	\$ 200,000	\$ -
Sewer Fund			
401 - Sewer Fund	\$ 2,210,748	\$ 2,056,452	\$ 154,296
403 - Sewer Construction Fund	\$ 1,681,000	\$ 673,993	\$ 1,007,007
405 - Sewer Plant Investment Fund	\$ 1,042,000	\$ 1,042,000	\$ -
452 - Sewer Bond Reserve	\$ -	\$ -	\$ -
457 - Sewer Equipment Reserve	\$ 556,500	\$ 524,228	\$ 32,272
Total Sewer Fund	\$ 5,490,248	\$ 4,296,673	\$ 1,193,575
Drainage Fund			
410 - Drainage Fund	\$ 1,305,255	\$ 1,125,000	\$ 180,255
411 - Drainage Construction Fund	\$ 3,250,000	\$ 1,779,652	\$ 1,470,348
412 - Drainage Plant Investment Fund	\$ 100,000	\$ 100,000	\$ -
458 - Drainage Equipment Reserve	\$ 37,500	\$ 5,645	\$ 31,855
Total Drainage Fund	\$ 4,692,755	\$ 3,010,297	\$ 1,682,458
Water Fund			
421 - Water Fund	\$ 2,372,605	\$ 2,324,719	\$ 47,886
422 - Water Construction Fund	\$ 2,629,500	\$ 1,836,090	\$ 793,410
423 - Cedar Home Plant Investment	\$ 10,580	\$ 10,580	\$ -
424 - Water Plant Investment Fund	\$ 600,000	\$ 600,000	\$ -
451 - Water Bond Reserve	\$ 419,175	\$ 419,175	\$ 0
459 - Water Equipment Reserve	\$ 80,000	\$ 5,645	\$ 74,355
Total Water Fund	\$ 6,111,860	\$ 5,196,209	\$ 915,651
Total All Funds	\$ 30,342,645	\$ 24,009,061	\$ 6,333,584

Note 3 – Joint Venture–Alliance for Housing Affordability (AHA)

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

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

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

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	Stanwood's Share of Budget	Stanwood's Share as % of Total AHA Budget
2014	\$89,849	\$ 0	0%
2015	\$93,063	\$ 944	1.02%
2016	\$43,652	\$1,061	2.43%
2017	\$97,934	\$1,591	1.63%
2018	\$102,586	\$1,639	1.60%
2019	\$107,391	\$1,688	1.58%
2020	\$112,408	\$1,738	1.55%
2021	\$117,673	\$1,738	1.48%

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 (email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

Note 4 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City has had some extra expense such as hazard pay for public works employees. Some loss of revenue has occurred from stopping utility late and shut off fees, closing passports, and shutting down most construction which caused slowing of purchasing of permits.

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

Note 5 – Deposits and Investments

Local Government Investment Pool, WA Fed Public Fund, Pacific Premier Public Interest, and Snohomish County Investment Pool are reported at fair market value while US Treasury Notes and US Agency Securities investments are reported at original cost.

Deposits and investments by type at December 31, 2020 are as follows:

Type of deposit or investment	City of Stanwood's own deposits and investments	Deposits and investments held by the City of Stanwood as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$ 3,443,163	\$ -	\$ 3,443,163
Local Government Investment Pool	\$ 2,199,529	\$ -	\$ 2,199,529
U.S. Government securities	\$ 9,195,971	\$ -	\$ 9,195,971
WA Fed Public Fund	\$ 3,707,292	\$ -	\$ 3,707,292
Pacific Premier Public Interest Checking	\$ 496,092	\$ -	\$ 496,092
Snohomish County Investment Pool	\$ 4,630,953	\$ -	\$ 4,630,953
Total	\$23,673,000	\$ -	\$ 23,673,000

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

Investments in the State Local Government Investment Pool (LGIP)

The City of Stanwood 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.

Investments in Snohomish County Investment Pool

The City of Stanwood is a voluntary participant in the Snohomish County investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The City of Stanwood reports its investment in the pool at fair value, which is the same as the value of the pool per share.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Stanwood would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Stanwood'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 Stanwood or its agent in the government's name.

Note 6 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Stanwood and summarizes the City of Stanwood's debt transactions for year ended December 31, 2020.

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

	Principal	Interest	Total
2021	\$ 1,147,854	\$ 167,005	\$ 1,314,859
2022	\$ 1,161,854	\$ 156,169	\$ 1,318,023
2023	\$ 1,169,854	\$ 144,831	\$ 1,314,685
2024	\$ 1,178,854	\$ 133,214	\$ 1,312,068
2025	\$ 745,045	\$ 121,294	\$ 866,339
2026-2030	\$ 1,970,916	\$ 431,386	\$ 2,402,301
2031-2035	\$ 1,084,000	\$ 179,969	\$ 1,263,969
2036-2039	\$ 790,000	\$ 51,800	\$ 841,800
TOTAL	\$ 9,248,377	\$ 1,385,667	\$10,634,044

In January of 2020 the City signed an agreement with the Snohomish County Public Works Assistance Fund for the construction of the SR532 Flood Berm. The loan is for funds up to \$973,920. This is a 20 year low interest loan (1.5%). The loan provided disbursement of 25% of funds upon execution of agreement and 50% after the construction contract was awarded and a notice to proceed was issued. The remainder of loan proceeds will be disbursed after project completion. Final acceptance of the SR532 Berm and Bike/Pedestrian Path was approved at the May 13th, 2021 City Council meeting. Next, the City will receive the final 25% of loan and then annual payments will commence.

Note 7 – OPEB Plans

The city has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical coverage (through AWC), medicare insurance premiums (reimbursed to retiree) and long term care premiums (purchased thru Unum Life Insurance Company). One retiree qualifies to receive these benefits. For 2020, the City paid \$13,065 for medical insurance premiums and long term care premiums for this retiree. The total OPEB liability for this program is \$761,260 calculated using the alternative measurement method tool provided by the Office of the Washington State Actuary.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Stanwood's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2 and PERS 3.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available 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 98540-8380

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

At June 30, 2020 (the measurement date of the plans), the City of Stanwood's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$110,927	0.015306%	\$540,372
PERS 2/3	\$182,728	0.019835%	\$253,681
LEOFF 1		0.001225%	(\$23,141)

LEOFF Plan 1

The City of Stanwood 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.

B. Defined Contribution Pension Plans

Beginning January 1, 2020 per the Collective Bargaining Agreements between the City of Stanwood and General Teamsters Union Local 231 Representing the Administrative Employees and the Public Works Employees, the City pays into the Western Conference of Teamsters Pension Trust on account of each member of the two bargaining units. This plan is a multi-employer defined benefit pension plan. Effective January 1, 2020 the City will pay into the account for each hour for which compensation was paid. For 2020 the rate is .58 per compensable hour, for 2021 the rate is .63 per compensable hour, and for 2022 the rate is .68 per compensable hour.

Note 9 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

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

The City of Stanwood's regular levy for the year 2020 was \$1.65889098310 per \$1,000 on an assessed valuation of \$1,044,541,349 for a total regular levy of \$1,732,780.23.

In 2020, the City also levied \$0.04141158095 per \$1,000 assessed valuation of \$1,038,337,819 for general obligation bond debt service (Stanwood G.O. Bond 2000) for an additional levy of \$43,000.

Note 10 – Risk Management

The City of Stanwood is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

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

Liability coverage is written on an occurrence basis, with some deductibles. Vehicles with a value over \$25,000 carry a \$5,000 deductible, while some properties carry a \$25,000 deductible. 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 \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 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 \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

Note 11 – Other Disclosures

A. Health and Welfare

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan.

Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

B. Snohomish County 911

Prior to January 1, 2018 the City was involved in a joint operation with other governmental entities in the establishment and operation of the Snohomish County Police Staff and Auxiliary Services Center, previously known as SNOPAC. The city, in conjunction with 37 other governmental entities, participated in this joint venture. SNOPAC was created under the Interlocal Cooperation Act, as codified in RCW 39.34, the needed statutory authority and opportunity for Snohomish County and the cities, towns, fire districts, hospital districts and miscellaneous service districts to enter into a contract and agreement to cooperatively establish, maintain and operate a support communications center. SNOPAC takes 911 calls and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In December, 2017 the City signed the Snohomish County Regional Public Safety Communications Agency interlocal agreement. This agreement is authorized by the Interlocal Cooperation Act (chapter 39.34 RCW). This agreement formed the consolidation of two emergency communication services, SNOCOM (Southwest Snohomish County Public Safety Communication Agency) and SNOFAC (Snohomish County Police Staff and Auxiliary Services Center) in accordance with RCW 24.03.195 and RCW 24.06.220. Effective on January 1, 2018 SNOCOM and SNOFAC became a single nonprofit corporation known as Snohomish County 911.

The governing board consists of 10 board members from police agencies, 5 board members from fire agencies and one non-voting board member from associate agencies and single service principals. The City of Stanwood is considered an associate agency because we contract with Snohomish County for police services. There are 20 member agencies for police service and 23 member agencies for fire service. Snohomish County Emergency Radio Systems (SERS) merged with Snohomish County 911, effective January 1, 2019. In 2020 the City of Stanwood paid Snohomish County 911 \$96,017 for dispatch services and for SERS annual radio system assessment.

C. Police Contract

The City has contracted with Snohomish County through the Snohomish County Sheriff's Department to provide law enforcement services since 2008. The most recent contract is for services from January 1, 2018 through December 31, 2022. This contract, like the previous contract, covers patrol services, investigative services, special services, support services, records, and evidence. Amounts reflecting the current contract are as follows:

Year	Annual Contract	Increase	Percentage Increase
2018	\$ 1,719,818	\$ 53,447	3.21%
2019	\$ 1,771,855	\$ 52,037	3.03%
2020	\$ 1,825,461	\$ 53,606	3.03%
2021	\$ 1,880,685	\$ 55,224	3.03%
2022	\$ 1,937,574	\$ 56,889	3.03%

D. Fire Services

Effective April 1, 2012, the City contracted with North County Regional Fire Authority to provide fire protection and ambulance services. In November, 2018 the City of Stanwood voters elected to annex into the Fire Authority effective January 1, 2019. The City continued collecting taxes and paying for services in 2019. The North County Fire began collecting property taxes in Stanwood in 2020, and the City ceased collecting taxes for fire. The City entered into an interlocal agreement with the North County Regional Fire Authority to pay for Fire Marshal services. The cost for these services in 2020 was \$43,713 for the year 2020.

E. Transportation Benefit District

The Stanwood Transportation Benefit District (TBD) was established as a quasi-municipal corporation, an

independent taxing district on November 19, 2012. The District is a governmental special purpose entity governed by a separate board of directors made up of existing city council members. The TBD was created for the purpose of acquiring, constructing, improving, providing and funding transportation improvements within the District, which has identical boundaries as the City of Stanwood limits.

On February 12, 2013 the citizens passed a ballot measure to enact a 0.2% (two tenths of one percent) sales tax increase to be collected within the District effective July 1, 2013. Effective January 1st, 2016, the TBD was dissolved by City ordinance and the City assumed its functions. The transportation sales tax is accounted for in a new fund (#108). For 2020 this public transportation system sales tax amounted to \$561,210.

F. Contingencies and Litigations

The City of Stanwood is not a Respondent in any pending lawsuits. The City is aware of the following matters which could pose a direct and/or indirect liability of the City:

1. While no claim or litigation has been filed, the City has been placed on notice that property owned by Raplee, which is a site of a former Standard Oil service station, contained petroleum tanks which leaked contaminants into the soil and which migrated beneath an alley which the City of Stanwood now controls. The City is seeking to commit the property owner and Chevron, the successor to Standard Oil Company, to take steps as necessary and appropriate and as required under the Model Toxics Control Act, RCW Chapter 70.105 to clean up the release of the hazardous substances. Agreements were being considered to allow access to the property to conduct testing and to evaluate the degree of the contamination and the development of a work plan. Whether there is a cost or liability to the City of Stanwood regarding its ownership of the alley will be unknown until further testing and evaluation can be completed.
2. The City is aware of one potential pollution remediation claim related to the unknown extent of contamination at Sebranke property. (This property had been identified as a possible location for a City park.) The full scope and extent of potential liability accessed to the City and/or others is not presently known at this time.
3. The City is aware of one matter of litigation where the City is a Plaintiff. That matter is the acquisition of three parcels of real property right-of-way through exercise of the City's powers of eminent domain for construction of the City's 90th Avenue extension project with a jury trial scheduled for October 18, 2021.
4. There may be other claims pending against the City where the City is not directly involved but the City's insurance pool adjusters are engaged in resolution of the same or where resolution is not achieved, litigation has not yet been commenced.

**City of Stanwood
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	2007 G.O. BOND	12/1/2020	195,000	-	195,000	-
263.87	2005 PWTF-WATER	7/1/2025	837,115	-	139,519	697,596
263.87	2006 PWTF-271ST TRUNKLINE	7/1/2026	748,447	-	106,921	641,526
263.87	2006 PWTF-BRYANT WELL	7/1/2026	1,206,691	-	172,385	1,034,306
Total General Obligation Debt/Liabilities:			2,987,253	-	613,825	2,373,428
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2019 WATER & SEWER REVENUE BONDS	12/1/2039	3,239,000	-	114,000	3,125,000
252.11	2011 WATER REVENUE BONDS	12/1/2031	1,985,000	-	130,000	1,855,000
263.82	2003 SRF-WW TREATMENT PLNT	8/3/2026	2,359,978	-	465,029	1,894,949
263.86	Snohomish County Public Works Assistance Fund	7/1/2039	-	730,440	-	730,440
259.12	COMPENSATED ABSENCES		253,644	131,685	-	385,329
264.30	PENSION LIABILITIES		790,223	3,830	-	794,053
264.40	OPEB		669,451	91,809	-	761,260
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,297,296	957,764	709,029	9,546,031
Total Liabilities:			12,284,549	957,764	1,322,854	11,919,459

City of Stanwood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
					From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
Highway Planning and Construction Cluster									
	FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-9311 (001)	1,437,750	-	1,437,750	-	123
Total Highway Planning and Construction Cluster:					1,437,750	-	1,437,750	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	Coronavirus Relief Fund	21.019	20-6541C-333	314,801	-	314,801	-	123
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County)	Coronavirus Relief Fund	21.019	2018-35	35,000	-	35,000	-	123
Total CFDA 21.019:					349,801	-	349,801	-	
Total Federal Awards Expended:					1,787,551	-	1,787,551	-	

The accompanying notes are an integral part of this schedule.

City of Stanwood

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of Stanwood's financial statements. The City of Stanwood uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The City of Stanwood has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. However, none of our current Federal grants allow an indirect cost recovery.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Stanwood's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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