



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Mill Creek

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

Published December 23, 2021

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

December 23, 2021

Council
City of Mill Creek
Mill Creek, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Mill Creek'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,

Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Mill Creek January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Mill Creek 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>
21.019	COVID-19 – Coronavirus Relief Fund

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 Mill Creek January 1, 2020 through December 31, 2020

Council
City of Mill Creek
Mill Creek, 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 Mill Creek, 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 14, 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 14 to the 2020 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

December 14, 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 Mill Creek January 1, 2020 through December 31, 2020

Council
City of Mill Creek
Mill Creek, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Mill Creek, 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.

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 14, 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 14, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Mill Creek January 1, 2020 through December 31, 2020

Council
City of Mill Creek
Mill Creek, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Mill Creek, 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 Mill Creek 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 Mill Creek, 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 Mill Creek, 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 14 to the 2020 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 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 14, 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.



Pat McCarthy, State Auditor

Olympia, WA

December 14, 2021

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 General Fund	103 City Streets Fund	125 Paths & Trails Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	24,263,631	7,412,788	395,344	15,443
388 / 588	Net Adjustments	17,468	457	17,581	-
Revenues					
310	Taxes	13,914,658	12,565,916	-	-
320	Licenses and Permits	687,898	642,168	45,730	-
330	Intergovernmental Revenues	5,980,474	1,353,287	405,858	1,490
340	Charges for Goods and Services	2,757,006	569,665	-	-
350	Fines and Penalties	86,549	86,549	-	-
360	Miscellaneous Revenues	384,691	138,191	3,682	103
Total Revenues:		23,811,276	15,355,776	455,270	1,593
Expenditures					
510	General Government	4,236,966	4,073,125	-	-
520	Public Safety	8,956,547	8,950,971	-	-
530	Utilities	254,855	-	-	-
540	Transportation	735,759	355,475	380,284	-
550	Natural/Economic Environment	889,368	889,368	-	-
560	Social Services	5,909	5,909	-	-
570	Culture and Recreation	1,616,774	1,616,774	-	-
Total Expenditures:		16,696,178	15,891,622	380,284	-
Excess (Deficiency) Revenues over Expenditures:		7,115,098	(535,846)	74,986	1,593
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,273,115	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	179,448	166,645	-	-
Total Other Increases in Fund Resources:		4,452,563	166,645	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,178,309	5,979	147,377	-
591-593, 599	Debt Service	319,106	-	-	-
597	Transfers-Out	4,273,115	-	-	10,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	166,645	-	-	-
Total Other Decreases in Fund Resources:		9,937,175	5,979	147,377	10,000
Increase (Decrease) in Cash and Investments:		1,630,486	(375,180)	(72,391)	(8,407)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,220,752	-	-	-
50841	Committed	1,602,335	-	340,534	7,036
50851	Assigned	6,509,081	4,458,648	-	-
50891	Unassigned	2,579,417	2,579,417	-	-
Total Ending Cash and Investments		25,911,585	7,038,065	340,534	7,036

The accompanying notes are an integral part of this statement.

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

		130 Drug Buy Fund	145 North City Hall Building Fund	226 Debt Service Fund	227 Local Revitalization Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	21,235	601,162	(283,613)	153,482
388 / 588	Net Adjustments	-	(740)	-	-
Revenues					
310	Taxes	-	4,903	-	44,660
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	38,495	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	14,587	133,369	-	848
Total Revenues:		14,587	176,767	-	45,508
Expenditures					
510	General Government	-	163,841	-	-
520	Public Safety	5,576	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		5,576	163,841	-	-
Excess (Deficiency) Revenues over Expenditures:		9,011	12,926	-	45,508
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	547,033	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	547,033	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	263,420	-
597	Transfers-Out	-	80,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	80,000	263,420	-
Increase (Decrease) in Cash and Investments:		9,011	(67,074)	283,613	45,508
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	30,246	-	-	198,990
50841	Committed	-	-	-	-
50851	Assigned	-	533,348	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		30,246	533,348	-	198,990

The accompanying notes are an integral part of this statement.

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

		314 Real Estate Excise Tax Fund	316 Capital Improvement Fund	317 Parks & Open Space Capital	318 Road Improvement Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	4,408,922	4,821,465	2,575,422	1,953,570
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,299,179	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	255,000	3,964,839
340	Charges for Goods and Services	-	-	115,328	191,200
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	19,639	9,388	15,649	12,678
Total Revenues:		1,318,818	9,388	385,977	4,168,717
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:		1,318,818	9,388	385,977	4,168,717
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	885,000	300,000	2,541,082
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	885,000	300,000	2,541,082
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	123,142	2,489,347	1,625,582
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	3,656,722	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,656,722	123,142	2,489,347	1,625,582
Increase (Decrease) in Cash and Investments:		(2,337,904)	771,246	(1,803,370)	5,084,217
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,071,018	5,592,711	290,000	7,037,787
50841	Committed	-	-	482,052	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,071,018	5,592,711	772,052	7,037,787

The accompanying notes are an integral part of this statement.

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

		401 Surface Water Utility Fund	509 Equipment Replacement Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	616,055	1,572,356
388 / 588	Net Adjustments	170	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	1,619,887	222,431
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	26,767	9,790
Total Revenues:		1,646,654	232,221
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	254,855	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		254,855	-
Excess (Deficiency) Revenues over Expenditures:		1,391,799	232,221
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	3,598	9,205
Total Other Increases in Fund Resources:		3,598	9,205
Other Decreases in Fund Resources			
594-595	Capital Expenditures	490,185	296,697
591-593, 599	Debt Service	55,686	-
597	Transfers-Out	526,393	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	166,645	-
Total Other Decreases in Fund Resources:		1,238,909	296,697
Increase (Decrease) in Cash and Investments:		156,488	(55,271)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	772,713	-
50851	Assigned	-	1,517,085
50891	Unassigned	-	-
Total Ending Cash and Investments		772,713	1,517,085

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	139,680
388 & 588	Net Adjustments	(841)
310-390	Additions	97,334
510-590	Deductions	236,155
	Net Increase (Decrease) in Cash and Investments:	(138,821)
508	Ending Cash and Investments	18

The accompanying notes are an integral part of this statement.

CITY OF MILL CREEK
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Mill Creek (City) was incorporated on September 30, 1983 and operates under the laws of the state of Washington applicable to code cities with a Council-Manager form of government. The City is a general purpose local government and provides public safety, development services, land use and planning, street maintenance and improvements, parks and recreation, and general administrative services. Water and sewer utilities are provided by Alderwood Water District and Silver Lake Water District.

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 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 by the City of Mill Creek:

GOVERNMENTAL FUND TYPES:

General Fund- 001

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- 100

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

Debt Service Funds- 200

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- 300

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- 400

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

Internal Service Funds- 500

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

FIDUCIARY FUND TYPES:

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

Custodial Funds- 600

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 Mill Creek 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 3, 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 200 hours for non-represented and American Federation of State, County, and Municipal Employees (AFSCME) employees and up to 300 hours for Police Guild members. Accumulated vacation is payable upon resignation, retirement, or death.

Sick leave may be accumulated for succeeding years up to a maximum of 1,040 hours. Upon separation or retirement, the following groups of the City employees shall be paid for unused sick leave benefits based on the following criteria:

- a. Upon separation of employment non-represented and AFSCME employees with at least ten (10) continuous years of service or total service of fifteen (15) years or more are paid 25% of their unused sick leave balance up to 200 hours.
- b. Officers who have served the City for a period of ten (10) consecutive years shall receive 25% of their unused sick leave upon separation of employment and as long as they are eligible for and are receiving LEOFF retirement benefits. Officers who die while off-duty at any time during their employment with the City will receive 25% of their unused sick leave. Officers who die in the line of duty will receive 100% of their unused sick leave balance, as long as the officer was a current employee of the City and performing official duties consistent with the laws, regulations, and policies of the City at the time of death.
- c. All other employees receive no payment for any unused sick leave balance upon separation of employment with the City.

The projected December 31, 2020 liability for compensated balances is \$595,315. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, Debt Service Requirements.

G. Other Financing Sources and Uses

The City's "Other Financing Sources and Uses" consist of operating transfers-in, operating transfers-out and bond proceeds, if any. The following schedule shows operating transfers during 2020:

Transfers Out	Transfers In				
	General Fund	Debt Service Fund	Capital Improvement Fund	Parks & Open Space Capital Improvement Fund	Road Improvement Fund
Paths & Trails Fund	\$ -	\$ -	\$ -	\$ 10,000.00	\$ -
North City Hall Building Fund	-	-	80,000.00	-	-
Real Estate Excise Tax Fund	-	20,640.00	805,000.00	290,000.00	2,541,082.00
Surface Water	166,645.00	526,393.00	-	-	-
Total	\$ 166,645.00	\$ 547,033.00	\$ 885,000.00	\$ 300,000.00	\$ 2,541,082.00

H. Risk Management

The City of Mill Creek is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more

governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2020, 103 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through Lexington Insurance Company and CHUBB in 2020, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, Lexington provides excess insurance up to \$50 million, and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

I. 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 City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Ending Cash & Investments by Type	
Restricted	\$ 15,220,752
Committed	1,602,335
Assigned	6,509,081
Unassigned	2,579,417
Custodial Funds	18
	<hr/>
	\$ 25,911,603

Note 2 - Budget Compliance

The City adopts biennial appropriated budgets for all funds except fiduciary 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. The appropriated and actual expenditures for the legally adopted budgets were as follows:

	Final Appropriated Amount 2019-2020	2019 Actual Expenditures	2020 Actual Expenditures	Variance
001 General Fund	\$ 29,278,464	\$ 14,220,644	\$ 15,889,699	\$ (831,879)
110 Fund Council Contingency	2,155	249	-	1,906
115 Municipal Arts Fund	44,045	13,851	5,153	25,041
521 Unemployment Comp/Self Insurance Fund	20,000	-	2,743	17,257
Total 001 General Fund	\$ 29,344,664	\$ 14,234,744	\$ 15,897,595	\$ (787,675)
103 City Streets Fund	\$ 1,312,249	\$ 471,426	\$ 527,661	\$ 313,162
125 Paths & Trails Fund	\$ 10,500	\$ 48	\$ 10,000	\$ 452
130 Drug Buy Fund	\$ 18,092	\$ 5,414	\$ 5,576	\$ 7,102
145 North City Hall Building Fund	\$ 766,465	\$ 137,305	\$ 243,841	\$ 385,319

226 Debt Service Fund	\$ 561,025	\$ 296,067	\$ 263,420	\$ 1,538
227 Local Revitalization Fund	\$ -	\$ -	\$ -	\$ -
314 Real Estate Excise Tax Fund	\$ 5,491,641	\$ 994,918	\$ 3,656,722	\$ 840,001
316 Capital Improvement Fund	\$ 3,256,911	\$ 111,430	\$ 123,142	\$ 3,022,339
317 Parks & Open Space Capital Improvement Fund	\$ 4,992,997	\$ 2,141,393	\$ 2,489,347	\$ 362,257
318 Road Improvement Fund	\$ 6,400,117	\$ 2,454,741	\$ 1,625,582	\$ 2,319,794
401 Surface Water Utility Fund	\$ 3,159,942	\$ 1,437,921	\$ 1,493,764	\$ 228,257
509 Equipment Replacement Fund	\$ 770,155	\$ 243,677	\$ 296,697	\$ 229,781
	\$ 56,084,758	\$ 22,529,084	\$ 26,633,347	\$ 6,922,327

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; 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 legislative body. The General Fund Variance is related to the CARES reimbursed expenditure funding of \$1,043,742.00 that was provided to cover unbudgeted expenses.

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2020 are as follows:

Type of Deposit or Investment	City Deposits and Investments	Deposits held by the City as custodian for other local governments, individuals, or private organizations	Total
Bank Deposits	\$ 6,533,103	18	6,533,121
Local Government Investment Pool	\$ 20,555,160	0	20,555,160
Total	\$ 27,088,263	18	27,088,281

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

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institutions failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of outside parties.

The City minimizes custodial credit risk by adhering to restrictions set forth in state law. Statutes require cities to deposit funds in financial institutions that are physically located in Washington, unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected, if

a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At December 31, 2020, all of the City's deposits with financial institutions were insured or collateralized. The City's deposits in financial institutions are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

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

Note 4- Property Tax

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

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 15	Tax bills are mailed.
April 30	The first of two equal property tax installments is due.
May 31	Assessed value of property is established for next year's levy at 100 percent of market value.
October 31	The second annual installment is due.

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

The City's regular levy for the year 2020 was \$1.45 per \$1,000 on an assessed valuation of \$4,454,155,944 for a total regular levy of \$ 6,439,040.79.

The City is also authorized to levy an additional \$0.39 per \$1,000 of assessed valuation for emergency medical service (EMS). The City remits the revenue as part of its contract cost to Fire District No. 7, for fire and emergency medical services. This levy is valid for six years, and was renewed in November, 2016 through voter approval. The EMS levy for 2020 was \$0.39 per \$1,000 for a total levy of \$1,749,843.36.

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2020:

Borrowing Fund	Lending Fund	Balance 01/01/2020	New Loans	Payments	Balance 12/31/2020
Surface Water Fund	General Fund	\$337,055	\$ -	\$166,645	\$170,411

Note 6 – Long-Term Debt

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

In June 2019, the City of Mill Creek issued limited tax general obligation bonds for \$3,322,000 through a competitive bid process. A portion of these bonds are for the purpose of funding surface water capital improvements and other capital improvements. Repayment of the bonds occurs over 15 years with an interest rate of 2.44%.

The debt service requirements for general obligation bonds are as follows as of December 31, 2020:

Year	Principal	Interest	Total
2021	\$193,000	\$70,833.20	\$263,833.20
2022	\$197,000.00	\$66,124.00	\$263,124.00
2023	\$202,000.00	\$61,317.20	\$263,317.20
2024	\$207,000.00	\$56,388.40	\$263,388.40
2025	\$212,000.00	\$51,337.60	\$263,337.60
2026 - 2030	\$1,139,000.00	\$176,582.80	\$1,315,582.80
2031 - 2033	\$753,000.00	\$37,039.20	\$790,039.20
Total	\$2,903,000.00	\$519,622.40	\$3,422,622.40

The City has an outstanding Public Works Trust fund loan, which was accepted in April 2006 in the amount of \$921,500. The term of this loan is 20 years with an interest rate of one-half percent, with final payment due June 1, 2026. This loan was for construction work associated with the Penny Creek Culvert replacement at Mill Creek Road. This loan is the obligation of the Surface Water Utility Fund, and is being repaid with utility service charges.

The debt service requirements for the Public Works Trust Fund loan are as follows as of December 31, 2020:

Year	Principal	Interest	Total
2021	\$48,500	\$1,455.00	\$49,955.00
2022	\$48,500	\$1,212.50	\$49,712.50
2023	\$48,500	\$970.00	\$49,470.00
2024	\$48,500	\$727.50	\$49,227.50
2025	\$48,500	\$485.00	\$48,985.00
2026	\$48,500	\$242.50	\$48,742.50
Total	\$291,000	\$5,092.50	\$296,092.50

Note 7 – Pension Plans

Substantially all City’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 Public Employees’ Retirement System (PERS) and Law Enforcement Officers’ and 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, 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’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	\$120,551	0.016634%	\$587,270
PERS 2/3	\$199,315	0.021636%	\$276,712
LEOFF 1	\$0	0.002038%	(\$38,488)
LEOFF 2	\$140,168.06	0.071653%	(\$1,461,617)

LEOFF Plan 1

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

LEOFF Plan 2

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

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible, but not required to participate in the plan. There were 108 City employees who participated in the program during 2019, including seasonal employees. The City's contribution for 2020 was \$308,579.39; employee contributions were \$337,257.51 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2%. Assets of the Plan consist of stocks, bonds, and guaranteed insurance contracts, and are not the property of the City and are not subject to the claims of the City's general creditors. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee. Actuarial determinations are not required because (1) long-term disability insurance and survivor income insurance are provided by a group insurance policy with the StanCorp Financial Group, Inc., and (2) each participant shall at his normal retirement instruct the trustee to either (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay the retirement benefits from the employee's deferred saving account to which no contribution by the City or the participant can be added after retirement, or (c) pay a single lump-sum payment equal to the accumulated balance in the employee's deferred saving account as of his retirement date.

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had one member, a retiree and paid \$2,121.10 in benefits. The City's total OPEB liability was \$727,498, as calculated using the alternative measurement method.

Per state statute the City must provide for substantially all medical costs for retired members of the Law Enforcement Officers and Fire Fighters (LEOFF1) retirement system. To meet this responsibility the City purchases and pays premiums for medical and long-term care insurance. The City also reimburses the individual for any out of pocket costs such as deductibles and co-pays as determined by the County LEOFF1 Board. The City of Mill Creek has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. These benefits include medical, vision, dental, hearing, and

prescription costs. One retiree received benefits during the year 2020 and \$2,121.10 was paid out for those benefits during the year. The City feels the annual costs for these expenses are minimal and therefore does not maintain any reserves for their future payment. Other than this one individual, the City has no other obligation for postemployment benefits to any of its former employees.

Note 9 – Claims and Judgements

At the end of 2020, there were material claims or judgments pending against the City as noted in the paragraph below:

- Termination. Former Communications and Marketing Director was terminated by the City effective August 2, 2019. Prior to the termination, the City retained a third-party investigator who investigated, at the direction of our firm, facts that ultimately led to the termination. In August 2019, the prior employee's attorney submitted a tort claim notice alleging \$500,000 in damages. At that time, the City submitted the claim to WCIA, who retained an attorney from Keating, Buckland & McCormick, Inc. to handle the claim. On December 5, 2019, the prior filed a lawsuit against the City, together with two other City officials, alleging retaliation, civil conspiracy, violation of the Washington Law Against Discrimination, defamation, false light, negligent infliction of emotional distress, and wrongful termination in violation of public policy. At the present time, because we have not concluded that the likelihood of an unfavorable outcome to the City is either probable or remote and we are unable to estimate the amount or range of any potential loss in the event of an unfavorable outcome.

The City of Mill Creek participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The City of Mill Creek management believes that such disallowances, if any, could be material in relation to the Coronavirus Relief Fund Small Business and Service Organization grants that were provided.

Note 10 – Joint Ventures

Snohomish County 911

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

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties of this Agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five (5) years bears to the total of all then remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expenses and charges validly incurred, the Mill Creek's share was \$723,840 on December 31, 2020.

Snohomish County 911's 2020 operating budget was \$24,575,191, operating revenues received were \$24,285,981 and total operating expenditures were \$23,917,807. Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

AHA – Alliance for Housing Affordability

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

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

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 Mill Creek's equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	Mill Creek's Share of Budget	Mill Creek's Share as % of Total AHA Budget
2014	\$89,850	\$1,088	1.21%
2015	\$92,543	\$1,121	1.21%
2016	\$93,651	\$1,109	1.18%
2017	\$97,934	\$1,654	1.69%
2018	\$102,586	\$1,875	1.83%
2019	\$107,391	\$2,004	1.87%
2020	\$112,408	\$2,102	1.87%
2021	\$117,673	\$2,138	1.82%

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 11 – Health & Welfare

The City of Mill Creek 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.

Note 12 – Unemployment Compensation

The City opted to be self-insured and established an unemployment compensation fund in 1990 to accumulate and cover costs for payment of unemployment claims. The City does not pay unemployment on payroll, but rather, pays the State of Washington on a reimbursable basis in the event of an unemployment claim. The Unemployment Compensation Fund receives payments from operating funds and departments.

Note 13 – Other Disclosures

- Fire Services and Fire Station 76 - The City has a long-standing contractual relationship with Snohomish County Fire District No. 7 to provide Fire and Emergency Medical Services. The original 20-year contract, as amended, expired December 31, 2016. A new agreement was reached and is in effect as January 1, 2017 and shall continue through December 31, 2022. The remaining contractual payments are as follows:

Assessment Year	Total Annual Payments
2021	\$4,129,740
2022	\$4,336,227

In addition to the Fire and Emergency Medical Services, the parties jointly own Fire Station 76, located at 1020 153rd St. SE, Mill Creek, Washington. The Parties have previously agreed to

"freeze" the purchase price and equity as set forth in the 2012 amendment to the original 1996 Fire Service Contract. If the Purchase Price is not otherwise adjusted as provided for in the contract, the original purchase price for the Fire Station would be the difference between \$1,838,543 and the City's equity in the Fire Station of \$678,148, or \$1,160,395.

- Prior Period Adjustment - The City found prior year trial balance issues with the City Streets Fund of \$17,581, North City Hall Building Fund of (\$740), Surface Water Utility Fund of \$170, General Fund of \$457, and the Fiduciary Fund of (\$841). The City made a net adjustment of \$16,627 to correct the beginning fund balances.

Note 14 – 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 of Mill Creek estimated a potential 2020 financial impact of ~\$3.1 million in lost revenue. The City anticipated a decrease in our local economy and adopted a budget amendment to suspend hiring and create organizational efficiencies that mitigates the impact to the financial health of the City. The City has developed its information technology platform to support remote administrative operations and the ability to provide the public with access to scheduled Council meetings.

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

**City of Mill Creek
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						
251.11	2019 LTGO Bond (Surface Water)	12/1/2033	3,091,000	-	188,000	2,903,000
263.87	Public Works Trust Fund	6/1/2026	339,500	-	48,500	291,000
Total General Obligation Debt/Liabilities:			3,430,500	-	236,500	3,194,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2020	536,746	58,569	-	595,315
264.40	OPEB Liability	12/31/2020	669,451	58,047	-	727,498
264.30	Pension Liability	12/31/2020	862,920	1,062	-	863,982
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,069,117	117,678	-	2,186,795
Total Liabilities:			5,499,617	117,678	236,500	5,380,795

City of Mill Creek
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	N/A	-	3,063	3,063	-	1,2,3, 4
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Department of Transportation)	Highway Planning and Construction	20.205	HIPUL-2576	720,000	-	720,000	-	1,2,3
Total Highway Planning and Construction Cluster:				720,000	-	720,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-248	926,550	-	926,550	69,930	1,2,3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	117,192	-	117,192	-	1,2,3
Total CFDA 21.019:				1,043,742	-	1,043,742	69,930	
Total Federal Awards Expended:				1,763,742	3,063	1,766,805	69,930	

The accompanying notes are an integral part of this schedule.

City of Mill Creek

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's financial statements. The City uses the Cash Basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 portion, are more than shown.

Note 4 – Prior Year Expenditures

This Schedule includes prior year expenditures of \$3,063 that were not included in prior year reporting.

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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