



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Edgewood

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

Published February 7, 2022

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

February 7, 2022

Mayor and City Council
City of Edgewood
Edgewood, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

Mayor and City Council
City of Edgewood
Edgewood, 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 Edgewood, 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 January 31, 2022.

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 9 to the 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 9.

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

January 31, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Mayor and City Council
City of Edgewood
Edgewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Edgewood 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 Edgewood, 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 Edgewood, 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 9 to the 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 9. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 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

January 31, 2022

FINANCIAL SECTION

City of Edgewood 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

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	110 Park Impact Fee
Beginning Cash and Investments					
308	Beginning Cash and Investments	15,366,939	4,473,146	52,107	2,639,368
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	6,338,351	4,867,902	130,830	-
320	Licenses and Permits	779,641	779,141	500	-
330	Intergovernmental Revenues	1,140,260	802,466	225,587	-
340	Charges for Goods and Services	3,719,048	764,460	-	452,648
350	Fines and Penalties	403,417	396,648	-	-
360	Miscellaneous Revenues	1,033,559	118,078	651	-
Total Revenues:		13,414,276	7,728,695	357,568	452,648
Expenditures					
510	General Government	1,569,465	1,569,465	-	-
520	Public Safety	2,991,160	2,991,160	-	-
530	Utilities	1,164,309	-	-	-
540	Transportation	891,133	-	891,133	-
550	Natural/Economic Environment	2,224,160	2,224,160	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	279,688	279,688	-	-
Total Expenditures:		9,119,915	7,064,473	891,133	-
Excess (Deficiency) Revenues over Expenditures:		4,294,361	664,222	(533,565)	452,648
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,591,659	501,659	610,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	54,402	54,402	-	-
Total Other Increases in Fund Resources:		1,646,061	556,061	610,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,397,538	317,601	46,052	-
591-593, 599	Debt Service	1,425,363	-	-	-
597	Transfers-Out	1,090,000	120,000	-	100,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	319,848	319,848	-	-
Total Other Decreases in Fund Resources:		4,232,749	757,449	46,052	100,000
Increase (Decrease) in Cash and Investments:		1,707,673	462,834	30,383	352,648
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	9,304,847	-	82,490	2,992,016
50841	Committed	4,184,258	1,350,473	-	-
50851	Assigned	236,213	236,213	-	-
50891	Unassigned	3,349,294	3,349,294	-	-
Total Ending Cash and Investments		17,074,612	4,935,980	82,490	2,992,016

The accompanying notes are an integral part of this statement.

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

		111 Traffic Impact Fee	130 Municipal Capital Reserver REET1	132 Municipal Capital Reserver REET	201 Debt Service
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,654,242	78,400	93,304	159,679
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	669,810	669,809	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	680,307	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		680,307	669,810	669,809	-
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:		680,307	669,810	669,809	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	230,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	230,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	379,803
597	Transfers-Out	150,000	230,000	490,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		150,000	230,000	490,000	379,803
Increase (Decrease) in Cash and Investments:		530,307	439,810	179,809	(149,803)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,184,549	518,210	273,114	-
50841	Committed	-	-	-	9,876
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		4,184,549	518,210	273,114	9,876

The accompanying notes are an integral part of this statement.

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

		202 LID Debt Service	203 LID Debt Service Reserve Fund	310 Capital Parks Fund	340 Capital Roads Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,272,453	610,994	304,591	92,021
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	45,467	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	6,769	-	-	-
360	Miscellaneous Revenues	893,094	3,812	1,900	574
Total Revenues:		899,863	3,812	47,367	574
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	4,793	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		4,793	-	-	-
Excess (Deficiency) Revenues over Expenditures:		895,070	3,812	47,367	574
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	100,000	150,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	100,000	150,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	417,494	206,554
591-593, 599	Debt Service	1,031,977	-	-	13,583
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,031,977	-	417,494	220,137
Increase (Decrease) in Cash and Investments:		(136,907)	3,812	(270,127)	(69,563)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	34,464	22,460
50841	Committed	2,135,546	614,806	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,135,546	614,806	34,464	22,460

The accompanying notes are an integral part of this statement.

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

		341 Capital Roads - Meridian Ave Ph	350 Capital TIB Fund	401 Sewer Utility Fund	410 Surface Water Utility Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	255,694	-	298,034	225,956
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	31,777	-	34,963
340	Charges for Goods and Services	-	-	179,050	1,642,583
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,595	-	1,860	-
Total Revenues:		1,595	31,777	180,910	1,677,546
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	2,635	1,156,881
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,635	1,156,881
Excess (Deficiency) Revenues over Expenditures:		1,595	31,777	178,275	520,665
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	257,183	-	55,798	1,467
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		257,183	-	55,798	1,467
Increase (Decrease) in Cash and Investments:		(255,588)	31,777	122,477	519,198
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	106	31,777	420,510	745,151
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		106	31,777	420,510	745,151

The accompanying notes are an integral part of this statement.

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

		501 Equipment Replacement Fund
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	156,950
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	11,995
Total Revenues:		<hr/> 11,995
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> -
Excess (Deficiency) Revenues over Expenditures:		<hr/> 11,995
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	-
Total Other Increases in Fund Resources:		<hr/> -
Other Decreases in Fund Resources		
594-595	Capital Expenditures	95,389
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 95,389
Increase (Decrease) in Cash and Investments:		<hr/> (83,394)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	73,557
50851	Assigned	-
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 73,557

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	848,788	848,788
388 & 588	Net Adjustments	-	-
310-390	Additions	16,735	16,735
510-590	Deductions	518,419	518,419
	Net Increase (Decrease) in Cash and Investments:	(501,684)	(501,684)
508	Ending Cash and Investments	347,104	347,104

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Edgewood was incorporated on February 28, 1996 and operates under the laws of the state of Washington applicable to a code city. The City is a general purpose government and provides law enforcement, emergency management, community planning, economic development, street, sewer and surface water maintenance and improvements, parks and general administrative services. Many services are provided through contract or interlocal agency agreements. Since incorporation the City has received Public Works, Court, Jail, Emergency Management and Law Enforcement services from Pierce County. East Pierce Fire & Rescue provides Fire Suppression, Education and Inspection as well as Emergency Medical Services. The City is a member of Pierce County Metro services providing animal control through the Sumner Police Department on a membership consortium basis. In 2019 the City ended its interlocal affiliation with the City of Fife for Information Technology services and hired an in-house IT Director.

The City of Edgewood 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 disclosed in these financial statement notes.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. Two managerial funds 005 Strategic Reserves and 006 Assignments are listed separately in the adoption of the budget. For 2020, the 005 Strategic Reserve fund is listed separately for financial presentation as restricted and the 006 Assignment fund as Non-Spendable in the General Fund (Fund 001).

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Funds

This fund is the primary operating fund of the City. It accounts for all financial resources except

those required by law or elected to be accounted for in another fund. The City utilizes a General Fund Management fund which represents the restricted by local government action portion of the General Fund and as such is rolled into the General Fund Balance as the restricted portion of the General Fund for reporting purposes. The City also uses a management fund for assignments which is also rolled into the General Fund Balance as the assigned portion of the General Fund.

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. In 2020 the City continues to account for assigned funds for pass through State and Local revenue collections and funds held on behalf of others as surety or deposits in Funds 641 (Deposits) \$345,778.13, 642 (Retention) \$1,350.83 and 650 (Agency) \$16,734.77. The City reclassified the Assignment of Funds to a Management Fund (006) which rolls up into the General Fund (001) as the Non-Spendable General Fund Ending Balance as of 12/31/2020.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus directed under the Washington State Budget, Accounting, and Reporting System (BARS) for Cities. Revenues are recognized when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

All restricted revenues are booked directly to the appropriate fund (street, surface water, etc.).

In accordance with state law the City also recognizes expenditures paid twenty days after the close of the fiscal year for claims incurred during the previous period. These expenditures are classified as thirteenth period expenditures and so designated in the financial statements.

City wide (not fund specific) expenditures for labor, benefits, goods and services are initially charged to Central Services, a segregated cost center within the General Fund, and then allocated to all funds and cost centers within funds to reflect their allocated share of said costs. This system allows management and accounting the ability to examine and balance labor, benefit, and large service provider expenditures in total while capturing the fully absorbed cost of each activity in the proper fund/cost center. Allocations are based upon personnel deployment. Cost of a direct nature are charged to their fund/cost center directly (election, law enforcement contract costs, street preservation, etc.)

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Purchases of capital assets are expensed in the year of acquisition. There is no capitalization of assets, nor allocation of depreciation expense. Inventory is expensed when purchased. City assets are tracked in spreadsheets, including small and attractive asset details such as model and serial numbers, at cost, by location, to ensure adequate controls against theft or misappropriation and to assist in budgeting for timely replacement or repair. This activity is extraneous to the financial statements.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and unpaid balances are payable upon separation or retirement. Compensatory time can be accrued up to 40 hours. It is accrued at the rate of 1.5 hours per hour worked. It is paid for unused balances upon separation. Payments are recognized as expenditures when paid. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Non spendable, Restricted, Committed and Assigned Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as non spendable when they are held in trust on behalf of non City entity, restricted when they are subject to legislated restrictions

for use by either the State or Local Government Legislative Regulation, committed when the local government has “ear-marked” the funds for a specific use but not otherwise restricted, or assigned 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 intends to use restricted resources first before using unassigned amounts.

Reservations of Ending Cash and Investments consist of:

- 005 Strategic Reserve Fund (\$1,350,473); is an internal Management Fund. The Fund balance represents transfers from the General Fund as a commitment by the City Council for emergency and/or other longer term operating reserves. These monies may be expended by resolution of the City Council. For reporting purposes the Strategic Reserve Fund Balance is combined with Fund 001 General Fund, and listed as the restricted portion of the General Fund in the Financial Statements.
- 101 Street Fund (\$82,490); are unexpended monies collected by the State and represent payment in-lieu of construction and gas taxes. They are used for City road, pedestrian and intermodal infrastructure maintenance and improvements. Unexpended General Fund Transfers, while not technically restricted in origin, are combined and listed as restricted for future street fund use.
- 110 Park Impact Fees (\$2,992,016) balance represents unspent monies collected as a development permitting requirement to maintain concurrency of park access as population increases. Expenditures are restricted for park acquisition and improvements outlined in the City’s Capital Improvement Plan for increasing capacity and must be expended on a legislated timeline. This fund has grown exponentially as a result of rapid development in the City since late 2015.
- 111 Traffic Impact Fees (\$4,184,549) are collected on a concurrency basis as a development permitting requirement to pay for projects identified in the City’s Capital Improvement Plan. They are restricted for use to maintain or increase traffic capacity as a result of growth and must be expended on a legislated timeline. This fund has grown exponentially as a result of rapid development in the City since late 2015.
- 130 REET1 (\$518,210) and 132 REET2 (\$273,114); represent unexpended monies generated by real estate excise taxes collected by the County for sales of real property within the jurisdictional boundaries of the City. The Growth Management Act (GMA) restricts projects funded from REET1 and REET2 to those capital projects outlined in the City’s Capital Improvement Plan for specific purposes. The City uses the majority of REET1 to retire the City Hall Civic Center debt and the majority of REET2 to extend the useful life of city infrastructures for road preservation and surface water mitigation.
- 201 Debt Service Fund (\$9,876); represents unexpended monies used to retire scheduled debt and make annual interest payments for General Government real property. The accumulated balance represents a scheduled reduction in debt payments due to a refinanced lower mortgage for City Hall.
- 202 Debt Service Fund (2,135,546); is the unexpended portion of the collection of a 20 year LID assessment against parcels serviced by a sanitary sewer constructed in 2011. Annual payment of principal and interest are paid on a contractual schedule to retire a 20 year USDA RD loan of approximately 18 million dollars executed in 2014. The majority of the balance represents prepayments of assessments, generally as a result of development lending institutions mandating the retirement of the assessment (which is in first position against the parcel) as a loan covenant. The City makes interim prepayments to USDA to reduce the outstanding loan balance relative to these prepayments.
- 203 Debt Service Reserve Fund (\$614,806); represents a USDA loan covenant requirement imposing the establishment and annual funding of a debt reserve to cover unanticipated individual assessment defaults over the life of the loan. This is a safety net loan provision common to LID

financing vehicles. The reserve provision of the current USDA loans call for arriving at a ten percent reserve within the first ten years of debt servicing. The current USDA loan principal balance is \$8,857,174 so the required reserve balance is \$885,271.7. At the current funding level of \$118,000 per year the reserve will be fully funded on or before the eighth year of debt service. It is likely both the reserve requirement and outstanding principal debt will continue to diminish as assessments continue to be prepaid as a result of the City's high growth rate. Due to the dramatic reduction in interest rates and the City's excellent credit rating the City refinanced this debt, paying off the USDA Note 2 & 3 and placing the remaining \$8,857,174 debt with Pacific Premier Bank in January 2021. The effect was to lower the interest rate from 4.25% to 2.1%. The City has passed this savings on to the parcel owners whose property is assessed annually for the debt service. The cash accumulation in the debt service fund was used to reduce the outstanding loan balance and the reserve fund was set at an initial amount not to exceed \$600,000.

- 310 Capital Parks Fund (\$34,464); is used for capital parks projects, primarily funded by grant dollars, Park Impact Fees, REET 1 or the General Fund as identified in the City's Capital Improvement Plan. Fund transfers occur from the revenue origination fund to the capital project funds (parks, road and surface water) when the Capital Improvement Plan and current year public works plans estimate the appropriation will be expended. Timelines are challenging due to third party vendor, weather, and City of Edgewood personnel availability and it is not uncommon to have substantive ending fund balances. The City maintains a FIFO (first in first out) Fund analysis extraneous to these financial statements to show the flow from the revenue origination fund to the capital fund to ensure restricted uses are monitored and in compliance and that funds are expended within legislated mandated timelines (impact fees). The City received two RCO State Funding Only grants of \$500,000 each, to build a park at 36th & Meridian. The park broke ground in late 2020 and is expected to be in service by the fall of 2021. Capital expenditures covered by the grants is detailed in Schedule 15.
- 340 Capital Roads (\$22,460); is used for capital roads projects, primarily funded by grant dollars, Park Impact Fees, REET 2 or the General Fund as identified in the City's Capital Improvement Plan. Fund transfers occur from the revenue origination fund to the capital project funds (parks, road and surface water) when the Capital Improvement Plan and current year public works plans estimate the appropriation will be expended. Timelines are challenging due to third party vendor, weather, and City of Edgewood personnel availability and it is not uncommon to have substantive ending fund balances. The City maintains a FIFO (first in first out) Fund analysis extraneous to these financial statements to show the flow from the revenue origination fund to the capital fund to ensure restricted uses are monitored and in compliance and that funds are expended within legislated mandated timelines (impact fees).
- 341 Capital Roads-Project Fund (\$106); represents monies reserved for a capital roads projects for tracking purposes.
- 350 TIB Fund (\$31,777); represents monies funded by the Transportation Improvement Board utilized for Transportation Improvement Plan projects granted by the State. The City currently has two funded projects for sidewalks and road safety improvements breaking ground in late 2020 with the bulk of construction occurring in 2021.
- 401 Sewer (\$420,510) and 410 Surface Water (\$745,151) Funds are used to support the operations and maintenance of the respective utility. General Fund transfers to these restricted funds are considered restricted and identified as such in the financial statements. The City has not experienced a year wherein any "claw back" of contributed General Funds to its Enterprise Funds have occurred.
- 501 Equipment Replacement Fund (\$73,557) Funds collected represent an internal commitment for replacing or purchasing capital equipment set aside from the General Fund.

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in and operating transfers-out and Interfund loans where appropriate and approved through resolution of the City Council. The City appropriated \$5,320,283 in transferred funds for 2020. Due to slow starts on various capital projects actual transfers were \$1,090,000. The two largest project representing the reduced need for transfers were the 36 & Meridian Park and the Sidewalk/Street Improvement Projects.

Note 2 – Budget Compliance

A. Budgets

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

Annual 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 follow:

Fund	Final Appropriated Budget	Actual Expenditures	Variance
001 General Fund	\$12,991,323	\$7,821,922	\$5,169,401
005 Strategic Reserve Fund	\$1,491,071	\$0	\$1,491,071
101 Street Fund	\$1,307,034	\$937,185	\$369,849
110 Park Impact Fund	\$2,594,964	\$100,000	\$2,494,964
111 Traffic Impact Fee Fund	\$3,439,002	\$150,000	\$3,289,002
130 REET 1 Fund	\$314,361	\$230,000	\$84,361
132 REET 2 Fund	\$694,431	\$490,000	\$204,431
201 Debt Service F Gov. Fund	\$429,248	\$379,803	\$49,445
202 Debt Service Fund LID	\$3,107,036	\$1,036,770	\$2,070,266
203 Debt Service Fund Res Fund	\$715,504	\$0	\$715,504
310 Capital Park Fund	\$3,471,002	\$417,494	\$3,053,508
340 Capital Road Fund	\$1,865,467	\$477,320	\$1,388,147
350 Capital TIB Fund	\$918,635	\$0	\$918,635
401 Sewer Fund	\$285,854	\$58,433	\$227,421
410 Surface Water Fund	\$2,036,271	\$1,158,348	\$877,923
501 Equipment Replacement Fund	\$252,362	\$95,389	\$156,973
	<u>\$35,913,565</u>	<u>\$13,352,664</u>	<u>\$22,560,901</u>

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect specific authorized employee positions (job descriptions) or salary ranges (annual salary schedule) must be approved by the City's legislative body.

The City budgets a Strategic Reserve Fund 005 for purposes of cash flow and unexpected emergencies. For reporting purposes, Fund 005 is an internal management fund and reported as part of Fund 001 General Fund (current expense fund) as a restricted cash balance due to internal legislative restrictions for its use.

Note 3 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are presented as collected balances. Bonds are stated at original coupon purchase. Net gains or losses are booked upon redemption. Current US Securities are managed through US Bank Safekeeping. Investments by type at December 31, 2020 are as follows:

<u>Type of Investment</u>	City's Own Investments	Investments held by City as an agent for other local Governments, individuals or private organizations.	Total
L.G.I.P.	\$2,203,035	\$0.00	\$2,203,035
U.S. Government Securities	\$1,347,514	\$0.00	\$1,347,514
Total	<u>\$3,550,549</u>	<u>\$0.00</u>	<u>\$3,550,549</u>

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 around the 10th of each month.

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

The City's regular levy for the year 2020 was \$.876 per \$1,000 on an assessed valuation of \$2,280,297,881 for a total regular levy of \$1,998,027.82.

Note 5 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) 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.

The debt service requirements for general obligation bonds, revenue bonds, special assessment bonds, and loans including both principal and interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2021	355,636		1,045,379	\$1,401,015
2022	340,253		1,045,199	\$1,385,452
2023	349,408		1,045,199	\$1,394,607
2024	358,157		1,045,199	\$1,403,356
2025	358,157		1,045,199	\$1,403,356
2026 – 2028	362,739		3,193,717	\$3,556,456
2029 – 2031	0		437,282	\$437,282
Totals	<u>\$2,124,350</u>	<u>\$0</u>	<u>\$8,857,174</u>	<u>\$10,981,524</u>

Other Debt represents annual principal and interest payments to the Public Works Trust Fund Loans and the LID No.1.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

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

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.

As of 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 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$17,613	.002430%	\$85,792
PERS 1 (UAAL)	\$88,497	.012211%	\$431,114
PERS 2/3	\$147,248	.015984%	\$204,426

Note 7– Risk Management

A. Risk Management

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

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, 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 sublimit. 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 sublimit. 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 sublimit.

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.

B. Health and Welfare

The City of Edgewood 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 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 Life Map, 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 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 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 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 HCP. Similarly, the terminating member forfeits all rights and interest to the 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 town.

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 Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The 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 this report. 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 8 - Other Disclosures

- A. Mt. View Edgewood Water Company Franchise Agreement: The City of Edgewood has a long term Franchise Agreement with Mt. View Edgewood Water Company, a not for profit private corporation operating in the area since the early 1940's. Mountain View supplies between 70 and 80 percent of all City of Edgewood water uses. Other water uses include Lakehaven Water & Sewer District, the City of Milton, and various other private localized well systems.
- B. East Pierce Fire & Rescue Lease: The City executed a three-year lease with East Pierce Fire & Rescue for a large open space used for office cubicles at City Hall. Estimated annual revenue is expected to be approximately \$48,000. The City has notified East Pierce Fire & Rescue it will not renew the lease beyond the original three year term expiring May 31, 2021.
- C. Accounting Changes: In 2020 the City, pursuant to instructions from the State Auditor's Office, moved the 640 (Assignment in Lieu of Bonds) funds to a Management Fund (006) which rolls up into the General Fund and is represented in the General Fund Beginning and Ending Balances as Non-Spendable Funds. The management fund allows the city to transparently track fund activity and easily identify non City funds for internal management reporting purposes while adhering to the State BARS code implementation of GASB.

Note 9 – COVID 19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. With the Governor's Proclamation on March 23, many normal activities in the state and worldwide ceased and the public was required to shelter in place. This had an extreme impact on financial activity in almost all sectors of the economy. The City of Edgewood has not seen substantive reductions in revenue as of December 31, 2020. Our actual revenue, including fees for services, which is a substantial source of revenue due to our robust development activity, was about 5% higher than budget. Sales taxes, also a substantial sustained revenue stream to the City was approximately 8% above budget. This has remained the case for 2021 through May ending, at the time of this report. The City does not have a large amount of retail businesses and most of our sales tax comes from on-line purchases. Amazon is one of our largest sales tax sources and if anything during the stay at home period, has increased. The City has remained operational by converting to 100% on-

line, including virtual inspection for construction sites that were securing their existing operations or exempt from the stay at home order (critical infrastructure activity). We did not lay off or furlough any employees, filled open positions and are on track to increase our Strategic Reserve Fund by another \$333,333.00 dollars in 2020. The City chose, with the 2020 budget to not budget REET or Impact Fee Revenue in 2020 or future years, appropriating only banked funds, which will enable the City to execute budgeted Capital Improvement Projects regardless of current year revenues for REET or Impact Fees. Year to Date in 2020, REET has continued to be robust and we estimate will allow the City to continue on schedule with our 2021 Capital Improvements. The City had recently completed implementing its Emergency Management Plan, which included annual expenditures to place emergency supplies on site (including supplies of hand sanitizer and N95 masks) in 2018 and 2019. The City has made supplemental expenditures for PPE and a thermal mounted camera to take the temperature of both staff and members of the public entering City Hall. We have accounted for these expenditures separately and received reimbursement via the CARES Act channeled to the City from the Washington State Department of Commerce in the total of \$512,550. This amount is identified in Schedule 16. In response to the pandemic, most city facilities have been closed to the public or accessible only by appointment for over a year, many city employees work remotely, and new procedures have been put in place. While some activities have been limited or temporarily curtailed, the City continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions.

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

**City of Edgewood
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						
263.96	2020 Compensated Absences	12/31/2020	81,112	79,558	-	160,670
251.11	2007 G.O. Bond	12/1/2026	2,449,989	-	325,639	2,124,350
263.81	2013 PWTF Loan (PC12-951-080)	6/1/2031	158,243	-	13,187	145,056
Total General Obligation Debt/Liabilities:			2,689,344	79,558	338,826	2,430,076
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	2020 Compensated Absences	12/31/2020	12,620	-	2,232	10,388
264.30	Department of Retirement	12/31/2020	565,560	155,773	-	721,333
263.82	2008 PWTF Loan (PR08-951-083)	6/1/2028	264,705	-	29,412	235,293
Total Revenue and Other (non G.O.) Debt/Liabilities:			842,885	155,773	31,644	967,014
Assessment Debt/Liabilities (with commitments)						
253.11	2014 Sewer Assement	11/24/2033	9,479,245	-	622,071	8,857,174
Total Assessment Debt/Liabilities (with commitments):			9,479,245	-	622,071	8,857,174
Total Liabilities:			13,011,474	235,331	992,541	12,254,264

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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