



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Arlington

For the period January 1, 2023 through December 31, 2023

*Published September 26, 2024*

Report No. 1035659



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

September 26, 2024

Mayor and City Council  
City of Arlington  
Arlington, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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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 Arlington January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Arlington  
Arlington, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Arlington, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 23, 2024.

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.

#### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

September 23, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Arlington January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Arlington  
Arlington, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Arlington, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Arlington, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Arlington, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. 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 as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2024 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 23, 2024

## **FINANCIAL SECTION**

### **City of Arlington January 1, 2023 through December 31, 2023**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2023  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023  
Notes to Financial Statements – 2023

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2023

**City of Arlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>107 Growth Management Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	68,531,507	17,934,461	490,226	5,528,438
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	19,302,464	15,782,969	-	-
320	Licenses and Permits	935,353	935,353	-	-
330	Intergovernmental Revenues	2,756,575	1,310,585	421,260	-
340	Charges for Goods and Services	21,800,906	1,489,303	59,116	524,038
350	Fines and Penalties	205,528	112,000	-	-
360	Miscellaneous Revenues	2,307,760	347,357	29,132	68,313
Total Revenues:		47,308,586	19,977,567	509,508	592,351
<b>Expenditures</b>					
510	General Government	7,568,108	5,212,858	-	-
520	Public Safety	9,454,604	9,454,604	-	-
530	Utilities	8,848,422	19,655	-	-
540	Transportation	3,389,967	-	747,267	-
550	Natural/Economic Environment	2,123,178	1,955,959	-	-
560	Social Services	406,220	406,220	-	-
570	Culture and Recreation	89,377	50,611	-	-
Total Expenditures:		31,879,876	17,099,907	747,267	-
Excess (Deficiency) Revenues over Expenditures:		15,428,710	2,877,660	(237,759)	592,351
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	690,668	-	-	-
397	Transfers-In	3,784,727	4,900	300,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	766,049	7,049	-	-
Total Other Increases in Fund Resources:		5,241,444	11,949	300,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	12,006,850	688,376	38,471	-
591-593, 599	Debt Service	3,759,205	1,100,264	-	-
597	Transfers-Out	3,784,727	1,438,624	31,648	439,675
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	494,730	4,669	-	-
Total Other Decreases in Fund Resources:		20,045,512	3,231,933	70,119	439,675
<b>Increase (Decrease) in Cash and Investments:</b>		<b>624,642</b>	<b>(342,324)</b>	<b>(7,878)</b>	<b>152,676</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	366,471	-	-	-
50831	Restricted	25,668,348	7,943,758	482,349	5,681,115
50841	Committed	2,656,289	2,542,891	-	-
50851	Assigned	33,785,341	425,776	-	-
50891	Unassigned	6,679,722	6,679,722	-	-
<b>Total Ending Cash and Investments</b>		<b>69,156,171</b>	<b>17,592,147</b>	<b>482,349</b>	<b>5,681,115</b>

*The accompanying notes are an integral part of this statement.*

**City of Arlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>111 Public Art Fund</b>	<b>114 Lodging Tax Fund</b>	<b>116 Cemetery Fund</b>	<b>180 Transportation Sales Tax Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	119,790	260,341	198,545	3,349,290
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	138,588	-	1,923,971
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	51,060
340	Charges for Goods and Services	-	-	341,647	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,376	3,429	3,170	45,123
Total Revenues:		1,376	142,017	344,817	2,020,154
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	375,213	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	167,219	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	167,219	375,213	-
Excess (Deficiency) Revenues over Expenditures:		1,376	(25,202)	(30,396)	2,020,154
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	134,000	-	26,828	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		134,000	-	26,828	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	141,768	-	-	1,524,720
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	88,803	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		141,768	-	88,803	1,524,720
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(6,392)</b>	<b>(25,202)</b>	<b>(92,371)</b>	<b>495,434</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	235,139	-	3,844,725
50841	Committed	113,398	-	-	-
50851	Assigned	-	-	106,174	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>113,398</b>	<b>235,139</b>	<b>106,174</b>	<b>3,844,725</b>

*The accompanying notes are an integral part of this statement.*

**City of Arlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>303 REET 1 Fund</b>	<b>304 Reet 2 Fund</b>	<b>305 Capital Facil/Bldg Fund</b>	<b>306 Bond Construction Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	2,178,673	2,551,701	7,068,792	1,054,737
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	728,468	728,468	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	29,542	34,148	86,680	9,789
Total Revenues:		758,010	762,616	86,680	9,789
<b>Expenditures</b>					
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:		758,010	762,616	86,680	9,789
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	859,110	12,024
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	859,110	12,024
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	375,531	82,109
591-593, 599	Debt Service	217,838	225,028	-	-
597	Transfers-Out	-	-	613,687	389,110
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		217,838	225,028	989,218	471,219
<b>Increase (Decrease) in Cash and Investments:</b>		<b>540,172</b>	<b>537,588</b>	<b>(43,428)</b>	<b>(449,406)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,718,845	3,089,290	-	605,332
50841	Committed	-	-	-	-
50851	Assigned	-	-	7,025,364	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>2,718,845</b>	<b>3,089,290</b>	<b>7,025,364</b>	<b>605,332</b>

The accompanying notes are an integral part of this statement.

**City of Arlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>310 Transportation Improv Fund</b>	<b>311 Park Improvement Fund</b>	<b>316 Cemetery Cap Impr Fund</b>	<b>320 Equipment Replacement</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	144,020	21,390	81,416	1,964,024
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	569,813	269,660	-	-
340	Charges for Goods and Services	-	613	-	62,845
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,550	3,429	907	750,067
Total Revenues:		573,363	273,702	907	812,912
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	12,615	-
540	Transportation	75,450	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	423	-	-
Total Expenditures:		75,450	423	12,615	-
Excess (Deficiency) Revenues over Expenditures:		497,913	273,279	(11,708)	812,912
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	690,668
397	Transfers-In	553,362	860,079	61,000	781,429
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	119,636
Total Other Increases in Fund Resources:		553,362	860,079	61,000	1,591,733
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,192,547	856,883	-	1,867,807
591-593, 599	Debt Service	-	-	-	129,316
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,192,547	856,883	-	1,997,123
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(141,272)</b>	<b>276,475</b>	<b>49,292</b>	<b>407,522</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	2,748	297,865	130,708	2,371,546
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>2,748</b>	<b>297,865</b>	<b>130,708</b>	<b>2,371,546</b>

*The accompanying notes are an integral part of this statement.*

**City of Arlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>402 Airport Fund</b>	<b>403 Water Utilities Fund</b>	<b>404 Sewer Utilities Fund</b>	<b>412 Storm Water Mgmt Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	4,862,003	11,797,572	7,456,164	1,012,001
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	24,981	19,435	19,090	62,526
340	Charges for Goods and Services	3,223,609	5,165,534	7,118,715	1,194,113
350	Fines and Penalties	22,895	28,728	33,197	8,708
360	Miscellaneous Revenues	596,412	180,746	91,944	13,697
Total Revenues:		<u>3,867,897</u>	<u>5,394,443</u>	<u>7,262,946</u>	<u>1,279,044</u>
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	3,563,577	3,935,570	941,792
540	Transportation	2,567,250	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>2,567,250</u>	<u>3,563,577</u>	<u>3,935,570</u>	<u>941,792</u>
Excess (Deficiency) Revenues over Expenditures:		<u>1,300,647</u>	<u>1,830,866</u>	<u>3,327,376</u>	<u>337,252</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	69,818	69,818	34,909
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	633,314	6,050	-	-
Total Other Increases in Fund Resources:		<u>633,314</u>	<u>75,868</u>	<u>69,818</u>	<u>34,909</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	475,244	4,118,396	527,306	116,899
591-593, 599	Debt Service	63,400	-	2,023,359	-
597	Transfers-Out	75,800	135,678	442,257	53,200
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	468,993	16,228	4,840	-
Total Other Decreases in Fund Resources:		<u>1,083,437</u>	<u>4,270,302</u>	<u>2,997,762</u>	<u>170,099</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>850,524</u></b>	<b><u>(2,363,568)</u></b>	<b><u>399,432</u></b>	<b><u>202,062</u></b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	1,022,699	-
50841	Committed	-	-	-	-
50851	Assigned	5,712,527	9,434,005	6,832,903	1,214,063
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>5,712,527</u></b>	<b><u>9,434,005</u></b>	<b><u>7,855,602</u></b>	<b><u>1,214,063</u></b>

*The accompanying notes are an integral part of this statement.*

**City of Arlington**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>504 P W Facilities M&amp;O Fund</b>	<b>702 Cemetery Endowment</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	68,613	389,310
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	8,165	-
340	Charges for Goods and Services	2,621,373	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	4,142	4,807
Total Revenues:		2,633,680	4,807
<b>Expenditures</b>			
510	General Government	2,355,250	-
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	38,343	-
Total Expenditures:		2,393,593	-
Excess (Deficiency) Revenues over Expenditures:		240,087	4,807
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	17,450
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	17,450
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	793	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	76,245	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		77,038	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>163,049</b>	<b>22,257</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	366,471
50831	Restricted	-	45,096
50841	Committed	-	-
50851	Assigned	231,662	-
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>231,662</b>	<b>411,567</b>

*The accompanying notes are an integral part of this statement.*

**City of Arlington**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2023**

		<b>Total for All Funds (Memo Only)</b>	<b>Private-Purpose Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	86,283	84,994	1,289
388 & 588	Net Adjustments	-	-	-
310-390	Additions	127,677	8,565	119,112
510-590	Deductions	170,104	49,712	120,392
	Net Increase (Decrease) in Cash and Investments:	(42,427)	(41,147)	(1,280)
508	Ending Cash and Investments	43,855	43,847	8

*The accompanying notes are an integral part of this statement.*

## **NOTES TO FINANCIAL STATEMENTS**

### **CITY OF ARLINGTON**

**Period Ending December 31, 2023**

#### **Note 1 - Summary of Significant Accounting Policies**

The City of Arlington was incorporated in 1903 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor-council form of government. The city is a general-purpose government and provides police services, planning and engineering, street construction and maintenance, parks and recreation services, health and social services and general administrative services. In addition, the city owns and operates a cemetery, a water & sewer system, a storm water management system and an airport.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements (see Note 3).
- 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

#### **A. Fund Accounting**

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

## **GOVERNMENTAL FUND TYPES:**

### **General Fund**

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

### **Special Revenue Funds**

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

### **Capital Projects Funds**

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

### **Permanent Funds**

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

## **PROPRIETARY FUND TYPES:**

### **Enterprise Funds**

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

### **Internal Service Funds**

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

## **FIDUCIARY FUND TYPES:**

### **Fiduciary Funds**

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

### **Private-Purpose Trust Funds**

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

### **Custodial Funds**

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

## **B. Basis of Accounting and Measurement Focus**

Financial Statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid. In accordance with state law the City of Arlington also recognizes expenditures paid during the twenty days after the close of the fiscal year for claims incurred during the previous period.

## **C. Cash and Investments**

*\*See Note 4 - Deposits and Investments.*

## **D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$ 7,500 and an estimated useful life more than 1 year. Capital assets and inventory and recorded as capital expenditures when purchased.

## **E. Compensated Absences**

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

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

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

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

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

Payments are recognized when expenditures are paid.

## **F. Long-Term Debt**

*\*See Note 7 - Debt Service Requirements.*

## **G. Restricted and Committed Portion of Ending Cash and Investments**

In 2023, 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 Ordinance or Resolution. When expenditures that meet restrictions occur, the City of Arlington intends to use the most restricted resources first. Restrictions and commitments of Ending Cash and Investments consist of \$28,324,637.

<b>Fund</b>	<b>Restricted</b>	<b>Committed</b>	<b>Purpose - Source of Restrictions</b>
001	\$ 67,262		Affordable Housing; RCW 82.14.540
	\$ 8,304		Police - Drug Seizure
		\$ 2,542,891	Reserve Policy; Resolution 2019-012
	\$ 4,823,735		CED Permitting; Revenues RCW 82.02.020
	\$ 2,980,960		ARPA Funding - Federal Grant; City received grant proceeds up front.
	\$ 63,496		Opioid Settlement - Washington State settlement
001	<b>\$ 7,943,758</b>	<b>\$ 2,542,891</b>	
101	482,349		Street Department; RCW 47.24.040 Motor Vehicle Fuel Taxes
107	5,681,115		Road Projects; RCW 82.02.050 Mitigation Fees
111		113,398.00	Public Art Fund; Ordinance NO.2019-003 from Construction Sales Tax - Council
114	235,139		Tourism Promotion; Lodging Sales Tax - RCW 67.28.180
180	3,844,725		Road Projects; Voter approved RCW 82.14.510
303	2,718,845		Capital Projects; RCW 82.46.010 Sales Tax
304	3,089,290		Financing Capital Projects - RCW 82.46.035
306	605,332		Bond Revenues - Police Impound Building/PW M&O
404	1,022,699		Debt Bonds - Reserve Requirements per bonding company
702	\$ 45,097		Cemetery Endowment Care - RCW 2.80.060 Interest only
<b>Totals</b>	<b>\$ 25,668,348</b>	<b>\$ 2,656,289</b>	<b>\$ 28,324,637</b>

### **Note 2 - Budget Compliance**

The City of Arlington adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. Non-expenditure type account numbers are used in some funds.

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within a department; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Arlington's legislative body. The City Council also approves all expenditures for payroll and claims.

The appropriated and actual expenditures for the legally adopted budgets for 2023 were as follows, which includes the final budget amendment adopted by Ordinance 2023-019.

2023 - Budget - All Funds			
	Budget	Actual	
Funds	Final Appropriated Amounts	2023-Expenses	Variance
001-General Fund	\$ 22,873,583	\$ 20,262,847	\$ 2,610,736
004-General Mandatory Reserve Fund			\$ -
005-Program Development Fund	\$ 45,000	\$ 18,018	\$ 26,982
006-CED Permitting	\$ 1,156,563	\$ 1,027,418	\$ 129,145
007-American Rescue Plan Supplies	\$ 2,990,851	\$ 807,899	\$ 2,182,952
008-Opioid Settlement			\$ -
<b>Total 001-General Fund</b>	<b>\$ 27,065,997</b>	<b>\$ 22,116,181</b>	<b>\$ 4,949,816</b>
101-Street Maintenance Fund	\$ 1,060,854	\$ 817,386	\$ 243,468
107-Growth Fund	\$ 1,285,487	\$ 439,675	\$ 845,812
111-Public Art Fund	\$ 205,000	\$ 141,768	\$ 63,232
114-Lodging Tax Fund	\$ 211,107	\$ 167,219	\$ 43,888
116-Cemetery Fund	\$ 554,210	\$ 464,014	\$ 90,196
180-Transportation Sales Tax Fund	\$ 2,660,555	\$ 1,524,719	\$ 1,135,836
303- REET I Fund	\$ 1,084,700	\$ 217,838	\$ 866,863
304-REET II Fund	\$ 1,092,161	\$ 225,028	\$ 867,134
305-Capital Facilities/Building Fund	\$ 2,614,745	\$ 989,219	\$ 1,625,526
306-Bond Construction Fund	\$ 2,575,000	\$ 471,220	\$ 2,103,780
310-Transportation Improvement Fund	\$ 5,134,210	\$ 1,267,997	\$ 3,866,213
311-Park Improvement Fund	\$ 3,889,871	\$ 857,306	\$ 3,032,565
316-Cemetery Capital Improvement Fund	\$ 14,000	\$ 12,615	\$ 1,385
320-Equipment Replacement Fund	\$ 2,211,166	\$ 1,997,122	\$ 214,044
402-Airport Fund	\$ 4,734,047	\$ 4,367,427	\$ 366,620
410-Airport Reserve Fund	\$ -	\$ -	\$ -
413-Airport CIP Fund	\$ 150,000	\$ 133,261	\$ 16,739
<b>Total 402 - Airport Fund</b>	<b>\$ 4,884,047</b>	<b>\$ 4,500,688</b>	<b>\$ 383,359</b>
403-Water Utilities Fund	\$ 4,732,766	\$ 4,726,387	\$ 6,379
405-Water Improvement Fund	\$ 6,210,000	\$ 4,257,490	\$ 1,952,510
<b>Total 403-Water Utility Fund</b>	<b>\$ 10,942,766</b>	<b>\$ 8,983,877</b>	<b>\$ 1,958,889</b>
404-Sewer Utilities Fund	\$ 7,101,992	\$ 7,099,534	\$ 2,458
406-Sewer Improvement Fund	\$ 2,395,000	\$ 608,793	\$ 1,786,207
411-Sewer Bond Fund	\$ -	\$ -	\$ -
<b>Total 404-Sewer Utility Fund</b>	<b>\$ 9,496,992</b>	<b>\$ 7,708,326</b>	<b>\$ 1,788,666</b>
409-Stormwater CIP Fund	\$ 1,702,500	\$ 114,118	\$ 1,588,382
412-Stormwater Management Fund	\$ 1,345,353	\$ 1,337,773	\$ 7,580
<b>Total 412-Stormwater Fund</b>	<b>\$ 3,047,853</b>	<b>\$ 1,451,891</b>	<b>\$ 1,595,962</b>
			\$ -
504-Maintenance & Oerations Fund	\$ 2,779,481	\$ 2,470,630	\$ 308,851
622-Cemetery Pre-Need Trust Fund	\$ 51,000	\$ 49,712	\$ 1,288
633-City Fiduciary Fund	\$ 147,450	\$ 120,393	\$ 27,057
702-Cemetery Endowment Fund	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$ 83,008,652</b>	<b>\$ 56,994,824</b>	<b>\$ 26,013,828</b>

## **Budget Variance:**

### **001-General Fund:**

- \$321,603 - Police salaries, benefits - understaffed, hiring in process and expected expenses in 2024.
- \$152,000 - Information technology expenses less than projected due to unfilled IT manager position.
- \$835,633 – CED expenses less than projected in biennial budget, professional services-reimbursable and building consultants not needed, plus unfilled positions.

### **007-Amercian Rescue Act Fund (ARPA)**

- \$2.1M – Projects not completed; Smokey Point Park delayed to 2024 for design and construction.

### **107 – Growth Fund**

- \$845,000 ROW purchases were delayed to 2024 – still in negotiations at yearend.

### **180-Transporation Improvement Fund**

- \$570,000 Broadway/Division Preservation project; this project was delayed to 2024 due to federal funding changes requiring the city to alter its scope of work.
- \$330,000 Traffic Calming Program; delayed to 2024 due to design changes and extra time and approval from WSDOT.

### **303-REET I Fund**

- \$866,000 Transfer to Transportation Improvement fund for 169<sup>th</sup> project carried over to 2024 – delayed due to federal grant processing.

### **304-REET II Fund**

- \$866,000 Transfer to Transportation Improvement fund for 169<sup>th</sup> project carried over to 2024 – delayed due to federal grant processing.

### **305-Captial Facilities/Building Fund**

- \$1.3M for transfer to construction fund for M&O /Police impound building; delayed to 2024, still in design phase.

### **306-Bond Construction Fund**

- \$2.1M for M&O Building and Police Impound Building still in design phase pending final scope of work and moved to 2024.

### **310-Transportation Improvement Fund**

- \$624,000 for 74<sup>th</sup>/204<sup>th</sup> Signal Project; project delayed to 2024 due to long lead time on light poles.
- \$1,425,000 for ROW purchases delayed to 2024 due to negotiations with property owners and federal oversight delays.
- \$1.1M for 169<sup>th</sup> Street Segment project – federally funded project delayed to 2024 for ground water determination - US Army Core of Engineers reviewing project.

**311-Park Improvement Fund**

- \$3M for Smokey Pt Park delayed to 2024 still in design phase, construction moved to 2024.

**405-Water Improvement Fund**

- \$811,000 for water well system, project delayed due to GE Reservoir offline moved to 2024.
- \$699,000 for 520 Zone Booster is in design phase and delayed due to Glen Eagle Reservoir Roof clasp project, moved to 2024.

**406-Sewer Improvement Fund**

- \$1.4M budgeted for sewer main replacement; the costs were higher than expected city delayed until 2024 and looking at splitting the project and doing part of it in 2024.

**409-Stormwater CIP**

- \$1.4M for Prairie Creek Culvert project delayed due to design change from culvert to bridge and waiting for FEMA approval.

**Note 3 – Component Units, Joint Ventures, and Related Parties****Snohomish County 911:**

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

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties 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 City of Arlington's share was \$ 310,386 on December 31, 2023.

Snohomish County 911's 2023 operating budget was \$28,409,308, operating revenues received were \$29,310,607 and total operating expenditures were \$27,824,076. 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.

## JOINT VENTURES

### **AHA – Alliance for Housing Affordability:**

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

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

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 prior 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 few years of organizational start-up. The City of Arlington's equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA's Total Fiscal Year Budget	City of Arlington's Share of Budget	City of Arlington Share as % of Total AHA Budget
<b>2014</b>	\$89,849	\$1,188	1.32%
<b>2015</b>	\$93,063	\$1,224	1.32%
<b>2016</b>	\$93,652	\$1,202	1.28%
<b>2017</b>	\$97,934	\$1,808	1.85%
<b>2018</b>	\$102,586	\$2,001	1.95%
<b>2019</b>	\$107,391	\$2,124	1.98%
<b>2020</b>	\$112,408	\$2,242	1.99%
<b>2021</b>	\$117,673	\$2,252	1.91%
<b>2022</b>	\$118,200	\$2,233	1.89%
<b>2023</b>	\$135,522	\$2,284	1.69%
<b>2024</b>	\$157,674	\$2,775	1.76%

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

#### **Note 4 -Deposits and Investments**

Investments are reported at face value, interest earnings are recorded only when received.

Deposits and investments by type on December 31, 2023, are as follows:

Type of Investments	City's own Investment	Deposits and investments held as custodian for other local governments, Individuals, or private organizations.	Balance
Bank Deposits	\$ 2,164,664	\$ 43,855	\$ 2,208,519
LGIP	\$ 6,897,638		\$ 6,897,638
Banner Reserve	\$ 2,084,990		\$ 2,084,990
U.S. Government Securities	\$ 55,339,606		\$ 55,339,606
Municipal Securities	\$ 2,669,272		\$ 2,669,272
	\$ 69,156,170	\$ 43,855	\$ 69,200,025

All investments are insured, registered, or held by the City of Arlington or its agent in the government's name. As of 12/31/23, bank deposits include petty cash fund and departments cash drawers for daily cash transactions.

It is the City of Arlington's policy to invest all temporary cash surpluses. The interest on these investments is recorded when received and prorated to the various funds.

#### **Investments in the State Local Government Investment Pool (LGIP)**

The City of Arlington is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

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

**Note 5 – Interfund Loans:**

The following table displays interfund loan activity during 2023:

<b>2023 Interfund Loans</b>					
<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Loan Balance 01/01/2023</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Principal Balance 12/31/2023</b>
(001) General Fund	(402) Airport	\$ 1,525,672.00	\$ -	\$ 83,035.62	\$ 1,442,636.38

**Note 6 - Leases**

The City of Arlington leases five copiers from Canon Financial Services under 60-month lease agreements, the leases have different payment amounts depending upon department needs. In addition, the city leases one Copier/Plotting Machine from Macquarie Equipment Capital Inc., under a 60-month lease to own.

In 2022, the city signed lease agreements with Enterprise Fleet Management, for departmental fleet vehicles. In 2022, we had one vehicle, 2023 we added 17 more, total 18 leased vehicles ranging from 36–60-month leases.

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
<b>Copiers</b>					
Finance	1,956	652			
PW	2,270	567			
CED	1,652	1,377			
Police	2,721	2,721	2,721	2,495	
PW M&O	1,902	1,902	1,902	317	
CED Plotter	7,051	7,157	3,006		
<b>Sub Total Office - Leases</b>	<b>\$ 17,552</b>	<b>\$ 14,376</b>	<b>\$ 7,629</b>	<b>\$ 2,812</b>	<b>\$ -</b>
Leased Vehicles	126,272	126,306	193,112	96,902	137,169
Police Impound Building	16,848				
Leases - SBITA's	-	-	-	-	-
<b>Total Leases by year</b>	<b>160,672</b>	<b>140,682</b>	<b>200,741</b>	<b>99,714</b>	<b>137,169</b>

**Note 7 -Long Term Debt:**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Arlington and summarizes the Cities debt transactions for year ended December 31, 2023.

<b>2023- Annual Report</b>	<b>G.O. Debt (Principal)</b>	<b>G.O Debt (Interest)</b>	<b>Other Debt (Principal)</b>	<b>Other Debt (Interest)</b>
2024	1,176,083	510,061	1,804,597	213,881
2025	1,186,209	466,535	1,828,961	184,640
2026	1,231,665	422,679	1,854,040	154,683
2027	1,287,463	377,081	1,486,310	123,988
2028	1,113,615	329,329	1,460,254	94,503
2029-2033	5,218,043	1,080,099	2,448,554	108,192
2034-2038	3,179,601	307,166		
2039	549,818	14,856		
<b>Totals</b>	<b>\$ 14,942,496</b>	<b>\$ 3,507,807</b>	<b>\$ 10,882,716</b>	<b>\$ 879,889</b>

**Debt Agreement Terms**

The following financial instruments contain debt agreement terms with finance related consequences:

<b>Debt</b>	<b>Clause</b>
Public Works Trust Fund Loans.	Any payments not received within thirty days of the due date shall be declared delinquent. Delinquent payments shall be assessed a daily penalty at 12% per annum calculated on a 360-day year delinquent amount.

**Note 8 – Other Post Employment Benefit Plans (OPEB):**

The City has a commitment to pay for post-employment benefits (OPEB) for employees that belong to the Law Enforcement Officers and Fire Fighters Pension (LEOFF) Plan 1 (commonly referred to LEOFF 1). These benefits, per the Revised Code of Washington Chapter 41.26.150 include the payment of medical costs and nursing care. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. The city's OPEB plan is a defined benefit plan, and the City of Arlington is the plan administrator.

Four LEOFF 1 retirees received benefits through December 2023. The city paid \$36,453.01 for those benefits in 2023. Payments are broken down as; \$15,605.49 in medical reimbursements and \$20,847.52 to LEOFF Health & Welfare Trust for medical premiums.

## **Note 9 – Pension Plans**

### **State Sponsored Pension Plans**

Substantially all city full time and qualifying part time employees participate in the Public Employees Retirement System (PERS) Plan 1, 2 or Plan 3 or the Law Enforcement Officers retirement plans, administered by the Department of Retirement Systems, under cost sharing multiple employer public employee defined benefit and defined contribution retirement plans.

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

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

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

The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov)

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

At June 30, 2023 (the measurement date of the plans), the City of Arlington proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

<b>Employer</b>			
<b>2023 Plan</b>	<b>Contributions</b>	<b>Allocations %</b>	<b>Liability Asset</b>
PERS 1	\$ 301,177	0.044198%	\$ 1,008,922
PERS 2/3	\$ 501,260	0.057012%	\$ (2,336,741)
LEOFF 1	N/A	0.011893%	\$ (352,987)
LEOFF 2	\$ 199,863	0.088546%	\$ (2,123,863)
VFFRPF		0.02%	\$ 3,433

### **LEOFF Plan 1**

#### **Local Government Pension Plans**

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

## **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.

## **Deferred Compensation**

Beginning January 1, 2021, as per the agreement between the City of Arlington and the Arlington Police Officer's Association (APOA), the city shall match 1% of the gross base wage (consisting of base salary and education incentive only) of each participating bargaining unit member's contribution into the Washington State Deferred Compensation Program. As of December 31, 2023, the city paid a total of \$20,579.63 in deferred compensation for 24 participating members.

Beginning January 1, 2023, Non-representative employees received 1% of gross wages contribution into the Washington State Deferred Compensation Program. As of December 31, 2023, the city paid a total of \$ 31,472.97 in deferred compensation for 28 participating members.

Beginning January 1, 2024, the match will increase to 2% for Police and starting in 2024 AFSCME contracted employees will receive 1% percent.

## **Note 10 - Property Tax**

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

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

The City of Arlington's regular levy for the year 2023 was \$.64 per \$1,000 on an assessed valuation of \$4,661,168,055 for a total regular levy of \$2,978,327.99.

## **Note 11 – Risk Management**

The City of Arlington is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 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, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

## **Note 12 -Tax Abatements**

The City of Arlington offers Tax Incentives as authorized by RCW 84.25. The city passed ordinance number 2016.008, to encourage new manufacturing and industrial uses on undeveloped or underutilized lands zoned for industrial and manufacturing within the city limits through tax incentives, thereby increasing the employment opportunities for family living wage jobs.

- (a) The governments entered into this agreement – City of Arlington, Snohomish County.
- (b) The certification of tax exemption is specific for property taxes and valid for ten successive years beginning January 1<sup>st</sup> of the year immediately following the calendar year of issuance of the certificate.
- (c) Exemption is from 2023-2033. 2023 Exemption is \$7,697.37

- (d) Commitments of tax abatement recipient – 1) new construction of industrial/manufacturing facilities shall be located on land zoned for industrial and manufacturing uses 2) the new construction shall meet all construction and development regulations of the city 3) the new construction shall be completed within three years from the date of approval of the application and 4) the tax abatement recipient must at a minimum have 25 new family living wage jobs as a result of the new construction.
- (e) Recapture provisions – If the property no longer meets qualifying criteria, the tax exemption will be cancelled and the tax shall be imposed if the exemption had not been made available plus a penalty equal to twenty percent of the value, plus interest from the dates on which the tax could have been paid without penalty.

### **Note 13 – Other Disclosures**

#### **Concession Agreements**

On June 21, 2021, the city entered into a concession agreement with the Arlington Community Food Bank. The terms of the agreement were July 1, 2021 through November 30, 2021 with an option to renew through 2024. The option to renew was exercised. License and concession fees were waived by the city council.

#### **Construction Commitments:**

The city has active construction projects as of December 31, 2023. At year-end, the City's commitments are as follows: \$2,839,550.65.

Public Works/Transportation Projects Under Construction at End of Year 2023				
Project	Contractor	Spent as of 12/31/23	2023 Remaining Commitment	Notes
Haller South Well Drilling	Hokkaido Drilling	\$ 314,040.00	\$ 228,791.38	Project delayed due to GE Reservoir offline
2023 Utility and Pavement Preservation	Reece Construction	\$ 1,751,957.94	\$ 1,158,571.00	Project delayed supply issues and weather, carryover to 2024
Gleneagle Reservoir Roof	Reece Construction	\$ 933,878.37	\$ 44,768.86	Retainage only owing
Asbestos Abatement	Affordable Environmental	\$ 36,880.02	\$ 3,714.00	Retainage only owing
Lime Silo Demo	Skycorp	\$ 36,244.50	\$ 3,650.00	Retainage only owing
204th / 74th Intersection	Reece Construction	\$ -	\$ 1,199,999.00	Project Delayed due to long lead time on light poles
59th Sidewalks	Reece Construction	\$ 56,050.51	\$ 54,949.81	Delayed into 2024 due to weather
Smokey Point Community Park	Rock Project Management	\$ 673,573.43	\$ 145,106.60	This is a 2-year project. Currently under Phase I construction.
<b>Totals</b>		<b>\$ 3,802,624.77</b>	<b>\$ 2,839,550.65</b>	

**City of Arlington  
Schedule of Liabilities  
For the Year Ended December 31, 2023**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	2020-LTGO - N Olympic Ave (Refi)	12/1/2027	995,000	-	185,000	810,000
251.11	2014 LTGO-Refunding 2004/Police Station	12/1/2034	6,240,000	-	415,000	5,825,000
251.11	2014 LTGO-Refunding 2009/Airport Expansion	12/1/2024	85,000	-	60,000	25,000
251.11	2020 LTGO - Refunding Fire Station 46	12/1/2030	535,000	-	55,000	480,000
251.11	Graafstra Note- (Refi)	12/1/2039	2,820,000	-	120,000	2,700,000
251.11	2020 LTGO Fire Station #48	12/1/2039	4,763,995	-	231,237	4,532,758
251.11	2023 LTGO - Police Cars	1/1/2028	-	690,668	120,930	569,738
<b>Total General Obligation Debt/Liabilities:</b>			<b>15,438,995</b>	<b>690,668</b>	<b>1,187,167</b>	<b>14,942,496</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		946,274	45,843	-	992,117
263.82	2006 PW Loan WWTP - PW-06-962-002	7/1/2026	1,574,186	-	393,547	1,180,639
263.82	2007 PW Loan WWTP - PR07-951-001	7/1/2027	263,158	-	52,632	210,526
263.82	2008 PW Loan WWTP - PC08-951-001	7/1/2028	3,176,470	-	529,412	2,647,058
263.82	Recovery Act Loan-DOE Loan L1000024	7/1/2029	2,911,283	-	306,487	2,604,796
263.82	Base Revolving Fund Loan-DOE Loan L1000025	7/1/2029	4,738,548	-	498,853	4,239,695
263.57	Leased Vehicles	12/1/2027	33,443	737,902	91,583	679,762
263.57	Office Equipment		48,035	20,423	25,961	42,497
263.57	Police Impound Building	12/1/2024	32,448	-	15,600	16,848
264.30	Pension Liability		1,271,453	-	262,531	1,008,922
264.40	OPEB Liabilities		1,908,918	9,278	-	1,918,196
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>16,904,216</b>	<b>813,446</b>	<b>2,176,606</b>	<b>15,541,056</b>
<b>Total Liabilities:</b>			<b>32,343,211</b>	<b>1,504,114</b>	<b>3,363,773</b>	<b>30,483,552</b>

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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.

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