



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Arlington

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

Published March 28, 2022

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

March 28, 2022

Mayor and City Council
City of Arlington
Arlington, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program and COVID-19 Airports Programs
21.019	Coronavirus Relief Fund

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2020-001 The City's internal controls were inadequate for ensuring compliance with federal requirements for allowable activities and costs and subrecipient monitoring activities.

CFDA Number and Title:	21.019 – COVID-19 – Coronavirus Relief Fund
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce, Snohomish County, and Economic Alliance Snohomish County
Pass-through Award/Contract Number:	20-654IC-107, ILA050119, and EASC120820
Questioned Cost Amount:	\$79,093

Background

The purpose of the Coronavirus Relief Fund (CRF) program is to provide funding to state, territorial, tribal and certain eligible local governments to cover necessary expenditures incurred because of the COVID-19 pandemic.

During fiscal year 2020, the City spent \$1,073,162 in program funds to cover additional costs the City incurred during the pandemic, including teleworking equipment and payroll. Additionally, the City spent \$349,363 of these funds to establish a program that provided assistance payments to local businesses affected by COVID-19. The program funds also included \$150,000 passed through to one subrecipient to fulfill components of the program's objectives. The portion of program funds the City passed through to the subrecipient provided emergency assistance to households financially affected by COVID-19.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include

understanding program requirements and monitoring the effectiveness of established controls.

For the CRF program, the costs that recipients submit for federal reimbursement must have been necessary for responding to the COVID-19 pandemic and not previously included in budgets prior to March 27, 2020. All costs recipients charge to the CRF program must comply with program requirements and be supported by proper documentation demonstrating costs are specifically related to COVID-19 activities.

When the City passes on federal funds to subrecipients, federal regulations require the City to ensure every subaward agreement clearly identifies if it is a federal award and includes the applicable federal requirements. Further, the City must evaluate each subrecipient's risk of noncompliance with federal requirements to determine the appropriate amount and type of subrecipient monitoring. Subrecipient monitoring requirements include ensuring compliance with program requirements.

Description of Condition

Activities Allowed/Allowable Costs

The City established nine eligibility criteria for local businesses to receive assistance payments, but it did not have a process for verifying that businesses met all of these criteria. City employees did verify that businesses met six of the 14 criteria. However, for the remaining criteria, City employees relied on each business' application and self-attestation without verifying the information was accurate to ensure businesses were eligible to receive assistance payments.

Subrecipient Monitoring

The City contracted with a local nonprofit organization to administer the housing assistance program. The nonprofit determined which households were eligible to receive funds and used program funds to provide emergency rental assistance to households affected by COVID-19. The nonprofit is considered a subrecipient because determining household eligibility is carrying out part of the program's objectives on the City's behalf. However, the City incorrectly determined the nonprofit was a beneficiary and, as a result, did not follow subrecipient monitoring requirements.

As a subrecipient, the contract with the nonprofit did not clearly identify it was a subaward and did not include other information required for federal awards. Additionally, the City did not perform a risk assessment and did not have documentation showing it monitored the nonprofit for program compliance.

We consider these deficiencies in internal controls to be material weaknesses, which led to material noncompliance. These issues were not reported as a finding in the prior audit.

Cause of Condition

Many businesses and people experienced sudden financial hardship due to the COVID-19 pandemic. To help preserve its local economy, the City acted quickly by providing assistance payments to businesses and passing funds to a nonprofit for individual housing relief. However, the CRF program was a new type of federal funding for the City. The City has not previously used federal funds to provide direct assistance payments to its local businesses or passed funding through to subrecipients.

Additionally, City employees said they were unaware of the Washington State Department of Commerce's guide that clarified the distinctions between contractor, subrecipient, and beneficiary relationships for this program.

As such, City employees lacked adequate experience and needed training to know that they should have independently verified each business met all eligibility criteria before awarding assistance and correctly identified the nonprofit agency as a subrecipient.

Effect of Condition and Questioned Costs

Activities Allowed/Allowable Costs

Without obtaining documentation from business grant applicants, the City cannot ensure business relief grant costs were allowable. The City retroactively requested and reviewed supporting documentation from state agencies and applicants to confirm they met eligibility requirements. However, the City could not obtain support for 26 of 108 applicants, which received a total of \$79,093. Without this support, we cannot confirm the expenditures the City charged to the program were allowable. As such, we are questioning these costs.

Subrecipient Monitoring

When contracts do not indicate they are federal subawards and do not include the required information, subrecipients are at an increased risk of not knowing the award comes from a federal program. This also increases the risk subrecipients would not know they need to comply with specific program requirements, which could lead to spending funds for unallowable purposes.

Further, without performing risk assessments and monitoring subrecipients, the City cannot ensure it is performing the proper level of monitoring and ensure subrecipients are complying with program requirements.

The City performed a risk assessment and reviewed the subrecipient's expenditures for compliance with program requirements during the audit. Therefore, we are not questioning the subrecipient costs.

Recommendation

We recommend the City provide adequate training to staff responsible for administering federal programs. We also recommend the City dedicate the necessary time and resources to staying updated on program guidance and ensuring compliance with all program requirements. This includes verifying that all funding recipients meet all of the City's eligibility criteria, ensuring all subawards are clearly identified, and including all required elements in the subaward agreements.

City's Response

We want to thank the Washington State Auditor's Office for the opportunity to respond to the audit conclusions. We value their relationship and appreciate their feedback on the Coronavirus Relief Fund (CRF) activity.

The pandemic caused significant financial hardship to local businesses and households within the Arlington community. The city's priority was to distribute CRF funds as quickly as possible to provide much needed and immediate support to the community. Businesses were closing because they couldn't pay rent and in an effort to provide financial assistance, the city developed a rent relief program based upon eligibility and reporting requirements. While the city obtained documentation to support many of the eligibility requirements, it did rely on a certification statement for some of the criteria in lieu of obtaining physical documentation. It is the City's understanding that (this) has been an allowed practice to accept a certification statement for verification of other federal compliance requirements such as suspension and debarment without obtaining further documentation, the City followed this practice in good faith and believed it had complied with confirming eligibility requirements for rent relief. The City would also like to clarify that although questioned costs are noted, the city believes that all rent relief payments were justified and allowable by the documentation that was provided by each applicant.

The City also acknowledges that it misinterpreted the distinction between a beneficiary and sub-recipient and incorrectly classified one payment made to a

subrecipient. The city did retroactively perform a risk assessment and audit of the payment to the subrecipient in which no issues were identified.

The City is committed to establishing and following effective internal controls to ensure compliance with federal grant requirements. Going forward, under similar circumstances, the city will obtain documentation to support all eligibility criteria for assistance payments and ensure appropriate subrecipient monitoring is performed.

Auditor's Remarks

We appreciate the steps the City has taken to resolve this issue and will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes subrecipient monitoring and management requirements for pass through entities.

Title 2 CFR Part 200, Uniform Guidance, section 331, Subrecipient and contractor determinations, establishes the requirements for pass through entities to make case-by-case determinations whether the agreement it makes for the disbursement of federal program funds casts the party receiving the funds in the role of a subrecipient or contractor and provides characteristics of the relationships.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 42 U.S. Code of Federal Regulations (CFR) Part 801, Coronavirus Relief Fund establishes allowable costs of the program.

2 CFR Part 200, Subpart E, cost principles do not apply to the Coronavirus Relief Fund. Therefore, auditors refer to guidance and FAQs from the U.S. Department of the Treasury and the pass-through agency, the Washington State Department of Commerce, as the criteria when testing the allowability of costs under the Fund. Guidance and FAQs from both the U.S. Department of the Treasury and the Washington State Department of Commerce can be found at <https://www.commerce.wa.gov/serving-communities/local-government/covid-resiliency-grants/>. These documents speak to the grantors' expectation that local governments obtain documentation that supports how businesses met eligibility criteria.

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, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 21, 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.

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.



Pat McCarthy, State Auditor

Olympia, WA

March 21, 2022

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Arlington
Arlington, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001, that we consider to be a material weakness.

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

March 21, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Mayor and City Council
City of Arlington
Arlington, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Arlington, 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 20.

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 Arlington 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 Arlington, 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 Arlington, 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.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 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

March 21, 2022

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

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	107 Growth Management Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	47,836,574	6,230,680	271,034	6,636,173
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	18,582,806	14,385,199	-	-
320	Licenses and Permits	898,469	898,469	-	-
330	Intergovernmental Revenues	7,217,623	1,875,437	390,531	-
340	Charges for Goods and Services	21,806,410	2,244,566	61,750	653,154
350	Fines and Penalties	205,413	165,251	-	-
360	Miscellaneous Revenues	2,475,500	281,214	5,108	97,199
Total Revenues:		51,186,221	19,850,136	457,389	750,353
Expenditures					
510	General Government	5,546,950	4,543,139	-	-
520	Public Safety	14,464,291	10,022,798	-	-
530	Utilities	6,790,507	11,811	-	-
540	Transportation	3,966,235	-	838,612	-
550	Natural/Economic Environment	2,015,427	1,990,109	-	-
560	Social Services	26,683	26,683	-	-
570	Culture and Recreation	200,602	163,052	-	-
Total Expenditures:		33,010,695	16,757,592	838,612	-
Excess (Deficiency) Revenues over Expenditures:		18,175,526	3,092,544	(381,223)	750,353
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	12,127,484	1,633,541	-	-
397	Transfers-In	6,984,670	176,496	573,541	186,340
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	791,877	82,967	-	-
Total Other Increases in Fund Resources:		19,904,031	1,893,004	573,541	186,340
Other Decreases in Fund Resources					
594-595	Capital Expenditures	12,467,487	208,209	31,496	-
591-593, 599	Debt Service	10,448,878	2,838,592	-	-
597	Transfers-Out	6,984,670	849,943	82,486	1,482,486
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	442,558	14,809	-	-
Total Other Decreases in Fund Resources:		30,343,593	3,911,553	113,982	1,482,486
Increase (Decrease) in Cash and Investments:		7,735,964	1,073,995	78,336	(545,793)
Ending Cash and Investments					
50821	Nonspendable	284,357	-	-	-
50831	Restricted	18,582,065	1,811,400	349,370	6,090,380
50841	Committed	1,367,777	1,150,519	-	-
50851	Assigned	31,371,567	375,982	-	-
50891	Unassigned	3,966,776	3,966,776	-	-
Total Ending Cash and Investments		55,572,542	7,304,677	349,370	6,090,380

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

		<u>108 Emer Med Servcs Fund</u>	<u>111 Public Art Fund</u>	<u>114 Lodging Tax Fund</u>	<u>116 Cemetery Fund</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,148,210	119,641	53,688	120,907
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,459,268	-	97,437	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	913,083	-	-	-
340	Charges for Goods and Services	2,725,957	-	-	239,740
350	Fines and Penalties	3,818	-	-	-
360	Miscellaneous Revenues	17,526	2,087	1,215	2,087
Total Revenues:		<u>5,119,652</u>	<u>2,087</u>	<u>98,652</u>	<u>241,827</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	4,441,493	-	-	-
530	Utilities	-	-	-	234,110
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	25,318	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	1,668	-	-
Total Expenditures:		<u>4,441,493</u>	<u>1,668</u>	<u>25,318</u>	<u>234,110</u>
Excess (Deficiency) Revenues over Expenditures:		678,159	419	73,334	7,717
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	34,521	132,922	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>34,521</u>	<u>132,922</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	35,724	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	363,683	-	-	18,297
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>363,683</u>	<u>35,724</u>	<u>-</u>	<u>18,297</u>
Increase (Decrease) in Cash and Investments:		<u>348,997</u>	<u>97,617</u>	<u>73,334</u>	<u>(10,580)</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	127,022	-
50841	Committed	-	217,258	-	-
50851	Assigned	1,497,206	-	-	110,333
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		<u>1,497,206</u>	<u>217,258</u>	<u>127,022</u>	<u>110,333</u>

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

		180 Transportation Sales Tax Fund	303 REET 1 Fund	304 REET 2 Fund	305 Capital Facil/Bldg Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,162,659	820,758	1,141,869	3,112,603
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,496,220	576,272	568,410	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	25,291	14,461	20,783	44,634
Total Revenues:		1,521,511	590,733	589,193	44,634
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		1,521,511	590,733	589,193	44,634
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	3,247,103	1,746,840	-
397	Transfers-In	-	10,462	-	50,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	3,257,565	1,746,840	50,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,099,843	-	-	270,002
591-593, 599	Debt Service	-	242,332	2,020,340	-
597	Transfers-Out	-	3,329,129	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,099,843	3,571,461	2,020,340	270,002
Increase (Decrease) in Cash and Investments:		421,668	276,837	315,693	(175,368)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,584,328	1,097,596	1,457,562	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	2,937,235
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,584,328	1,097,596	1,457,562	2,937,235

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

	306 Bond Construction Fund	310 Transport Improv Fund	311 Park Improvement Fund	312 Library Capital Impr Fund	
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	517,240	58,606	14,759
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,004,581	311,370	-
340	Charges for Goods and Services	-	-	624	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	28,414	18,141	5,640	223
Total Revenues:		28,414	1,022,722	317,634	223
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	145,646	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	581	-
Total Expenditures:		-	145,646	581	-
Excess (Deficiency) Revenues over Expenditures:		28,414	877,076	317,053	223
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	5,500,000	-	-	-
397	Transfers-In	-	1,295,000	3,448,615	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		5,500,000	1,295,000	3,448,615	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,094,236	1,797,843	372,022	-
591-593, 599	Debt Service	-	-	3,250,667	-
597	Transfers-Out	-	-	196,802	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	108	722	-
Total Other Decreases in Fund Resources:		1,094,236	1,797,951	3,820,213	-
Increase (Decrease) in Cash and Investments:		4,434,178	374,125	(54,545)	223
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,434,178	573,341	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	318,024	4,061	14,982
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		4,434,178	891,365	4,061	14,982

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

		<u>316 Cemetery Cap Impr Fund</u>	<u>320 Equip Rental Replac Fund</u>	<u>402 Airport Fund</u>	<u>403 Water Utilities Fund</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	31,042	2,763,361	2,502,049	10,374,054
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	2,447,680	-
340	Charges for Goods and Services	-	31,294	2,870,819	4,148,520
350	Fines and Penalties	-	-	6,624	11,379
360	Miscellaneous Revenues	469	682,297	551,636	165,334
Total Revenues:		469	713,591	5,876,759	4,325,233
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,793,449
540	Transportation	-	-	2,434,133	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,434,133	2,793,449
Excess (Deficiency) Revenues over Expenditures:		469	713,591	3,442,626	1,531,784
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	15,000	1,011,773	-	20,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	107,697	557,852	11,209
Total Other Increases in Fund Resources:		15,000	1,119,470	557,852	31,209
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,052,117	3,346,502	1,788,994
591-593, 599	Debt Service	-	-	58,900	-
597	Transfers-Out	-	-	68,999	69,414
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	412,397	1,523
Total Other Decreases in Fund Resources:		-	1,052,117	3,886,798	1,859,931
Increase (Decrease) in Cash and Investments:		15,469	780,944	113,680	(296,938)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	46,511	3,544,307	2,615,727	10,077,119
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		46,511	3,544,307	2,615,727	10,077,119

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

		404 Sewer Utilities Fund	412 Storm Water Mgmt Fund	504 P W Facilities M&O Fund	702 Cemetery Endowment
Beginning Cash and Investments					
308	Beginning Cash and Investments	9,103,638	1,331,833	8,012	313,758
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	274,478	463	-
340	Charges for Goods and Services	6,216,592	954,108	1,659,286	-
350	Fines and Penalties	14,606	3,735	-	-
360	Miscellaneous Revenues	473,196	19,586	14,171	4,788
Total Revenues:		6,704,394	1,251,907	1,673,920	4,788
Expenditures					
510	General Government	-	-	1,003,811	-
520	Public Safety	-	-	-	-
530	Utilities	3,071,017	680,120	-	-
540	Transportation	-	-	547,844	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	35,301	-
Total Expenditures:		3,071,017	680,120	1,586,956	-
Excess (Deficiency) Revenues over Expenditures:		3,633,377	571,787	86,964	4,788
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	20,000	10,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	31,070	1,082	-
Total Other Increases in Fund Resources:		20,000	41,070	1,082	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	811,207	559,292	-	-
591-593, 599	Debt Service	2,037,991	56	-	-
597	Transfers-Out	289,608	172,344	61,479	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	1,090	11,209	700	-
Total Other Decreases in Fund Resources:		3,139,896	742,901	62,179	-
Increase (Decrease) in Cash and Investments:		513,481	(130,044)	25,867	4,788
Ending Cash and Investments					
50821	Nonspendable	-	-	-	284,357
50831	Restricted	1,022,699	-	-	34,189
50841	Committed	-	-	-	-
50851	Assigned	8,594,419	1,201,783	33,878	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		9,617,118	1,201,783	33,878	318,546

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	52,042	52,042	-
388 & 588	Net Adjustments	-	-	-
310-390	Additions	152,177	13,292	138,885
510-590	Deductions	128,152	1,945	126,207
	Net Increase (Decrease) in Cash and Investments:	24,025	11,347	12,678
508	Ending Cash and Investments	76,068	63,388	12,680

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF ARLINGTON

Period Ending December 31, 2020

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 and fire protection, including emergency medical response services, engineering, street construction and maintenance, parks and recreation services, health and social services, a public library 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 are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

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

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 twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

**See Note 5 - Deposits and Investments.*

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$ 7,500 and an estimated useful life in excess of 1year. 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) Union Employees 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.

The local International Association of Fire Fighters (IAFF) Union employees may accumulate sick leave up to 1,440 hours.

International Association of Fire Fighters (IAFF) may accumulate up to 480 hours of vacation time but a maximum of 300 hours can be carried over from the last day of the Kelly cycle in any given year.

The IAFF Union employees, upon separation from the city, are entitled to receive up to 260 hours of vacation time for employees hired on or before December 31, 2013 and 240 hours for employees

hired on or after January 1, 2014. The maximum amount of unused sick leave to be paid to the employee upon separation of the City will be 350 hours for employees hired on or before December 31, 2013 and 330 hours for employees hired on or after January 1, 2014.

F. Long-Term Debt

**See Note 7 - Debt Service Requirements.*

G. Restricted and Committed Portion of Ending Cash and Investments:

In 2020 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 occurred, the City of Arlington intends to use the most restricted resources first.

Fund	Restricted	Committed	Purpose - Source of Restrictions
001	\$ 9,764.00		Affordable Housing; RCW 82.14.540
	\$ 78,355.00		Drug & Felony Forfeitures; RCW 63.29.135
	\$ 11,901.65		Unclaimed Property
	\$ 5,000.00		TIB Grant Leadership Grant - Received grant proceeds up front, delayed due to Covid; Grant Restrictions
	\$ 1,706,378.93		CED - Permitting Revenues; RCW 82.02.020
		\$ 1,148,821.0	Reserve Policies; Resolution 2019-012,
		\$ 1,698.0	Cascade Hospital - Donation for Social Services Opertation
	\$ 1,811,399.58	\$ 1,150,519.0	\$ 2,961,919
101	\$ 349,370		Street Department - RCW 47.24.040 Motor Vehicle Fuel Taxes
107	\$ 6,090,380		Road Project -RCW 82.02.050 Mitiagtion Fees
111		\$ 217,258	Public Art Fund; Ordiance No.2019-003 from Construction Sales Tax - Council
114	\$ 127,022		Tourism Promotion; Lodging Sales Tax - RCW 67.28.180
180	\$ 1,584,328		Road Projects- Voter approved RCW 82.14.510
303	\$ 1,097,596		Capital Projects - RCW 82.46.010 Sales Tax
304	\$ 1,457,562		Financing Capital Projects - RCW 82.46.035
306	\$ 4,434,178		Bond Revenues - Fire Station
310	\$ 573,341		Complete Streets Grant - Grant Requirements
404	\$ 1,022,699		Debt Bonds - Reserve Requirements
702	\$ 34,189		Cemetery Endowment - RCW 2.80.060 - Interest only
	\$ 18,582,065	\$ 1,367,777	\$ 19,949,842

Restrictions and commitments of Ending Cash and Investments consist of **\$ 19,949,842.**

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.

The appropriated and actual expenditures for the legally adopted budgets for 2020 are shown on the following page, which includes the final budget amendment adopted December 7th, 2020.

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

2020 Budget - All Funds			
	Budget	Actual Expenses	Variance
	<i>Final Appropriated Amounts</i>		
001 - General Fund	\$ 23,780,900	\$ 21,463,617	\$ 2,317,283
005 - Program Development Fund	\$ 300,819	\$ 238,609	\$ 62,210
006- CED Permitting	\$ 1,200,000	\$ 1,200,000	\$ -
105 - Health Services Fund	\$ 4,000	\$ 3,412	\$ 588
Total 001 - General Fund	\$ 25,285,719	\$ 22,905,638	\$ 2,380,081
101 - Street Maintenance Fund	\$ 1,164,894	\$ 952,594	\$ 212,300
107 - Growth Fund	\$ 1,814,225	\$ 1,482,486	\$ 331,739
108 - Emergency Medical Services Fund	\$ 5,138,664	\$ 4,805,176	\$ 333,488
111 - Public Art Fund	\$ 45,000	\$ 37,392	\$ 7,608
114 - Lodging Tax Fund	\$ 149,191	\$ 25,318	\$ 123,873
116 - Cemetery Fund	\$ 264,267	\$ 252,402	\$ 11,865
180 - Transportation Sales Tax Fund	\$ 2,048,000	\$ 1,099,842	\$ 948,158
303 - REET I Fund	\$ 3,630,613	\$ 3,571,461	\$ 59,152
304 - REET II Fund	\$ 2,029,871	\$ 2,020,340	\$ 9,531
305 - Capital Facilities/Building Fund	\$ 376,500	\$ 270,002	\$ 106,499
306 - Bond Construction Fund	\$ 1,750,000	\$ 1,094,236	\$ 655,764
310 - Transportation Improvement Fund	\$ 6,795,609	\$ 1,943,596	\$ 4,852,013
311 - Park Improvement Fund	\$ 3,888,940	\$ 3,820,794	\$ 68,146
312 - Library Capital Improvement Fund	\$ -	\$ -	\$ -
316- Cemetery Capital Improvement Fund	\$ -	\$ -	\$ -
320 - Equipment Replacement Fund	\$ 2,000,702	\$ 1,052,116	\$ 948,587
402 - Airport Fund	\$ 4,459,453	\$ 3,623,500	\$ 835,954
410 - Airport Reserve Fund	\$ 1,662,889	\$ 1,090,852	\$ 572,037
413 - Airport CIP Fund	\$ 4,324,000	\$ 3,297,432	\$ 1,026,568
Total 402 - Airport Fund	\$ 10,446,342	\$ 8,011,783	\$ 2,434,559
403 - Water Fund	\$ 4,087,664	\$ 4,006,616	\$ 81,048
405 - Water Improvement Fund	\$ 3,029,640	\$ 1,846,762	\$ 1,182,878
Total 403 - Water Utility Fund	\$ 7,117,304	\$ 5,853,378	\$ 1,263,926
404 - Sewer Fund	\$ 6,079,523	\$ 5,993,494	\$ 86,030
406 - Sewer Improvement Fund	\$ 1,718,856	\$ 817,420	\$ 901,436
411 - Sewer Bond Reserve Fund	\$ -	\$ -	\$ -
Total 404 - Sewer Utility Fund	\$ 7,798,379	\$ 6,810,914	\$ 987,465
409 - Stormwater CIP Fund	\$ 500,250	\$ 312,444	\$ 187,806
412 - Stormwater Management Fund	\$ 1,266,831	\$ 1,261,882	\$ 4,949
Total 412- Stormwater Fund	\$ 1,767,081	\$ 1,574,326	\$ 192,755
504 - Maintenance & Operations Fund	\$ 1,799,503	\$ 1,649,135	\$ 150,368
622 - Cemetery Pre-Need Trust Fund	\$ 4,000	\$ 1,945	\$ 2,055
633- City Fiduciary Fund	\$ 150,000	\$ 126,206	\$ 23,794
702 - Cemetery Endowment Fund	\$ -	\$ -	\$ -
	\$ 85,464,804	\$ 69,361,078	\$ 16,103,726

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 affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. The City Council also approves all expenditures for payroll and claims.

Budget Variance:

001-General Fund:

- \$1.6M in debt payments, original budget then refinanced with new budget included in amendments.

180-Transportation Sales Tax Fund:

- \$331,071 - Smokey Pt Blvd Overlay – delayed until 2021.
- \$636,468 - Road Projects delayed until 2021.

310-Transportation Improvement Fund:

- \$350,095 Smokey Pt Blvd Corridor – Engineering, delayed until 2021.
- \$1,135,743.46 – 204th/77th Roundabout – delayed until 2021
- \$717,755.16 – 74th/204th Signal Project – delayed until 2021

402- Airport Fund

- \$200,000 West Side Development - Project delayed.
- \$140,000 – Maintenance Projects – Project delayed.

410-Airport Reserve:

- \$572,037 – Transfer to Airport CIP Fund not needed due to projects were under budget and delayed.

413-Airport CIP (FAA) Fund:

- \$1,148,388 – FAA 16/347 Lighting Project – Bid proposals came back under budget.

405-Water Improvement Fund:

- \$285,000 - System Analysis/Survey – Island Crossing ULID project delayed.
- \$425,000 – Water Extension – 43rd Ave, Project permanently deferred to another entity.

406-Sewer Improvement Fund:

- \$225,000- System Analysis/survey - Island Crossing ULID project delayed
- \$522,396 – Sewer Main Replacement Rehab - Project delayed, design phase in 2021 and construction in 2023.

Note 3 - 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 \$496,825 on December 31, 2020.

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

AHA – Alliance for Housing Affordability:

In September 2013, the City of 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 previous years.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first two years of organizational start-up. The City of Arlington's equity share to date is:

Fiscal Year 7/1/17 – 6/30/19	AHA's Total Fiscal Year Budget	City of Arlington's Share of Budget	City of Arlington's Share as % of Total AHA Budget
2014	\$89,850	\$1,074	1.20%
2015	\$92,543	\$1,089	1.18%
2016	\$93,651	\$1,617	1.73%
2017	\$97,934	\$1,754	1.79%
2018	\$102,586	\$1,876	1.83%
2019	\$107,391	\$1,968	1.83%
2020	\$112,408	\$2,016	1.79%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Ave W, Everett WA 98204 (email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

Note 4 – COVID-19 Pandemic

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

In April 2020, the city implemented cost saving measures to mitigate any potential shortfalls in revenue resulting from the COVID-19 pandemic. These measures included a 10% reduction of operating expenses in all departments and placing a hiring freeze for non-essential vacant positions. A reduction in sales tax revenues was the biggest concern and was monitored closely. As of December 31, 2020, the city did not experience a shortfall in sales tax revenue and in fact, sales tax revenues increased by 8% between 2019 and 2020. The 10% reduction in operating expenses were carried over into the 2021 budget as a precautionary measure as general economic conditions due to the pandemic remain unstable.

The city did experience a revenue shortfall of 36% in lodging tax revenues, however due to events being cancelled in 2020, there was no impact to program operations. The city opted not to award new lodging tax grants in 2021 until revenues have an opportunity to return to pre-pandemic levels. Fuel tax revenues declined by 11% and EMS transport revenues declined by 22%, both of which were offset by the 10% cut in operating expenses and service levels were not affected.

The city has seen a significant increase in delinquent utility accounts. As of December 31, 2020, 307 accounts were past due for a total amount outstanding of \$95,208, this nearly three times the regular amount of delinquent accounts in any given month. The Governor’s Proclamations have restricted the city’s ability to shut off services to attempt collection of these accounts, however other outreach efforts were made to collect on these accounts. Outreach efforts included phone calls, past due notices, referrals to available financial resources, and establishment of a long term repayment plan. As of March 31, 2021, delinquent accounts were reduced to 192 past due accounts for a total amount outstanding of \$82,344.

Note 5 – Deposits and Investments

Investments are reported at (amortized cost/original cost/fair value). Deposits and investments by type at December 31, 2020 are as follows:

Type of Investment	City's Own Investment	Investments held by City as agent	Balance
Bank Deposits	\$ 944,949		\$ 944,949
L.G.I.P	\$ 3,700,473		\$ 3,700,473
Banner Reserve	\$ 5,559,570		\$ 5,559,570
U.S. Government Securities	\$ 39,837,665		\$ 39,837,665
Municipal Securities	\$ 4,584,175		\$ 4,584,175
Certificate of Deposits	\$ 1,021,778		\$ 1,021,778
Total	\$ 55,648,611		\$ 55,648,611

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

Bank Deposits: as of 12/31/2020, 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 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.

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

Note 6 – Inter-fund Loans

The following table displays interfund loan activity during 2020:

2020 Interfund Loans					
Borrowing Fund	Lending Fund	Loan Balance 01/01/18	New Loans	Repayments	Principal Balance
General Fund	Airport	\$ 1,817,178	\$ -	\$ 84,423	\$ 1,732,755
		\$ 1,817,178	\$ -	\$ 84,423	\$ 1,732,755

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, 2020.

The debt service requirements for general obligation bonds, revenue bonds and Public Works Trust Fund loans are as follows:

2020-Annual Report	G.O. DEBT PRINCIPAL	G.O. DEBT INTEREST	OTHER DEBT PRINCIPAL	OTHER DEBT INTEREST
2021	\$ 935,000	\$ 480,088	\$ 1,956,343	\$ 419,961
2022	\$ 805,000	\$ 444,238	\$ 1,983,866	\$ 387,560
2023	\$ 835,000	\$ 412,038	\$ 2,012,167	\$ 354,381
2024	\$ 835,000	\$ 378,638	\$ 2,041,269	\$ 320,401
2025	\$ 1,420,000	\$ 642,788	\$ 2,071,194	\$ 285,598
2026-2030	\$ 4,165,000	\$ 1,105,888	\$ 8,044,435	\$ 890,694
2031-2035	\$ 3,420,000	\$ 345,863	\$ 1,963,281	\$ 264,022
2036-2040	\$ -	\$ -	\$ 1,295,294	\$ 76,965
Total	\$ 12,415,000	\$ 3,809,538	\$ 21,367,849	\$ 2,999,583

Debt Refunding

In 2020 the City of Arlington issued a total of \$6,295,0000 in LTGO debt to retire \$3,165,000 of existing LTGO series bonds and to retire \$3,130,000 in other debt. This refunding was undertaken to reduce total debt service payments over the next 19- years by \$709,752.

Direct Borrowing:

In 2020, the City of Arlington issued a request for proposal to solicit financing terms for funding a new fire station. The city issued \$5,500,000 LTGO bonds through direct borrowing with Sterling National Bank. The bonds will mature on December 1, 2039. The amount outstanding as of December 31, 2020 was \$5,210,663.

Debt Agreement Terms

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

Debt	Clause
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 – OPEB Plans

The City has a commitment to pay for post-employment benefits 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.

Five LEOFF 1 retirees received benefits during 2020; City paid \$118,920.16 for those benefits in 2020.

- \$93,511.68 in medical reimbursements, & \$25,408.48 to LEOFF Health & Welfare Trust.

OPEB plan is a defined benefit plan.

Plan administrator –**City of Arlington**

In 2020 the City of Arlington surpassed a population of 20,000, per RCW 41.26.110 requires cities to establish its own Law Enforcement & Fire Fighters Disability board. August 4th, 2020 the City of Arlington passed Ordinance No. 2020-015 adopting Arlington Municipal Code Chapter 2.5 entitled LEOFF1 Disability Board.

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 and Fire Fighters (LEOFF) Plan 2 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 systems 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained in writing to:

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

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

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

At June 30, 2020 (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:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$320,929	0.044282%	\$1,563,394
PERS 2/3	\$531,156	0.057657%	\$737,400
PSERS 2			
LEOFF 1		0.012236%	(\$231,078)
LEOFF 2	\$351,993	0.179937%	(\$3,670,452)
VFFRPF		0.05%	\$16,327.41
(Other)			

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.

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 10th.

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 2020 was \$1.428 per \$1,000 on an assessed valuation of \$3,007,053,360 for a total regular levy of \$4,295,093.52.

Emergency Medical Services (EMS) regular levy for the year 2020 was \$.338 per \$1,000 on an assessed valuation of \$3,007,053,360 for a total regular levy of \$1,016,842.72.

Note 11 – Risk Management

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

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and

\$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits. In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments, which comply with all State guidelines. A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Note 12 – Other Disclosures

RFA

On November 20th, 2020, city council passed Resolution #2020-018 authorizing an election to be held on February 9th, 2021 regarding annexation by the City of Arlington to North County Regional Fire Authority.

On February 9th the voters passed Proposition No. 1 annexing the City of Arlington to North County Regional Fire Authority. The annexation will be effective August 1, 2021.

Tax Abatement:

The City of Arlington has one property that is currently receiving a tax abatement as authorized by RCW 84.25. The effective date of the abatement was 1/1/2020.

- Name of the governments that entered into the agreement – City of Arlington, Snohomish County
- Specific taxes being abated – property taxes
- Gross dollar amount of taxes abated during the period – \$6,625.54
- Duration of abatement – 10 successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate. The tax abatement began 1/1/2020.

- 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
- 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

Concession Agreements

On May 5th, 2019, the City of Arlington entered into a concession license agreement which granted use of the concession area at Haller Park. The term of the agreement commenced on May 19, 2019 and may renew for an additional three, one year terms. The concession fee is 10% of monthly gross sales. In 2020, Haller Park was closed due to the pandemic so the concession unit was not operational. No concession revenue was received in 2020.

TIB Advanced Payment Complete Streets Grant:

In 2019, the city received \$600,000 advanced funding for Complete Streets grant. The city reported \$26,659 on our 2019 Schedule 15, and has been delayed due to Covid. The grant expenditures continues to 2021.

Construction Commitments:

The City has active construction projects as of December 31, 2020. At year-end, the City’s commitments are as follows:

Project	Contractor	Spent as of 12/31/20	2020 Remaining Commitment	Notes
204th St Roundabout Project	Reece Construction	\$ 948,098.61	\$ 1,539,298.14	Project delayed for Right of Way and weather - carry over to 2021
Temporary Well Drilling	Holt Services	\$ 134,278.20	\$ 6,443.29	Complete in 2020 Retainage \$6,443.29 to be paid out in 2021
2020 4 Year Utility and Pavement Preservation	JB Asphalt	\$ 1,841,614.59	\$ 401,764.51	\$295,940.63 on contract, \$105,823.88 retainage to be paid in 2021
Island Crossing Temporary Signal	Service Electric	\$ -	\$ 257,638.56	Bid and contracted in 2020, project delayed due to procuring materials/Covid - carry over to 2021
Fire Station #48	HB Hansen	\$ 1,094,236.16	\$ 2,949,796.49	Started Sept 2020 - Carryover to 2021

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2007 LTGO - N Olympic Ave	12/1/2027	1,695,000	-	1,695,000	-
251.11	2020-LTGO - N Olympic Ave (Refi)	12/1/2027	-	1,620,000	230,000	1,390,000
251.11	2014 LTGO-Refunding 2004/Police Station	12/1/2034	6,830,000	-	95,000	6,735,000
251.11	2014 LTGO-Refunding 2009/Airport Expansion	12/1/2024	245,000	-	50,000	195,000
251.11	2010 LTGO - Refunding/Fire St.	12/1/2030	1,530,000	-	1,530,000	-
251.11	2020 LTGO - Refunding Fire Station 46	12/1/2030	-	1,545,000	505,000	1,040,000
251.11	2010 LTGO - Refunding/800 MHZ	12/1/2021	50,000	-	50,000	-
263.61	Graafstra Note-Park Land	4/1/2040	3,200,000	-	3,200,000	-
251.11	Graafstra Note- (Refi)	12/1/2039	-	3,130,000	75,000	3,055,000
251.11	2020 LTGO Fire Station #48	12/1/2039	-	5,500,000	289,337	5,210,663
Total General Obligation Debt/Liabilities:			13,550,000	11,795,000	7,719,337	17,625,663
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,318,508	41,975	-	1,360,483
264.30	Pension Liabilities		2,246,752	54,042	-	2,300,794
264.40	OPEB Liabilities		2,667,525	203,872	-	2,871,397
263.82	2006 PW Loan WWTP - PW-06-962-002	7/1/2026	2,754,827	-	393,547	2,361,280
263.82	2007 PW Loan WWTP - PR07-951-001	7/1/2027	421,053	-	52,632	368,421
263.82	2008 PW Loan WWTP - PC08-951-001	7/1/2028	4,764,706	-	529,412	4,235,294
263.82	Recovery Act Loan-DOE Loan L1000024	7/1/2029	3,779,235	-	280,979	3,498,256
263.82	Base Revolving Fund Loan-DOE Loan L1000025	7/1/2029	6,151,270	-	457,335	5,693,935
Total Revenue and Other (non G.O.) Debt/Liabilities:			24,103,876	299,889	1,713,905	22,689,860
Total Liabilities:			37,653,876	12,094,889	9,433,242	40,315,523

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Department of Natural Resources)	Cooperative Forestry Assistance	10.664	DNR062020	463	-	463	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	20024210	-	3,845	3,845	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0002-029- 2020	-	974,668	974,668	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0002-028- 2020	-	1,069,038	1,069,038	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0002-030- 2020	-	842,384	842,384	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9737	90,969	-	90,969	-	
Total CFDA 20.106:				-	2,886,090	2,886,090	-	

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9657	89,883	-	89,883	-	
Total Highway Planning and Construction Cluster:				180,852	-	180,852	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	0001819-00	825	-	825	-	
Total Highway Safety Cluster:				825	-	825	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-654IC-107	877,784	-	877,784	150,000	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County)	COVID 19 - Coronavirus Relief Fund	21.019	ILA050119	97,378	-	97,378	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Economic Alliance Snohomish County)	COVID 19 - Coronavirus Relief Fund	21.019	EASC120820	98,000	-	98,000	-	
Total CFDA 21.019:				1,073,162	-	1,073,162	150,000	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via United Way)	Emergency Food and Shelter National Board Program	97.024	892400035	4,806	-	4,806	-	

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH- 00512	-	237,154	237,154	-	
Total Federal Awards Expended:				1,260,108	3,127,089	4,387,197	150,000	

The accompanying notes are an integral part of this schedule.

City of Arlington, Snohomish County, Washington

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of Arlington financial statements. The City of Arlington uses Cash Basis Accounting.

Note 2 – Federal De Minimis Indirect Cost Rate. The City of Arlington has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Noncash Awards

During the emergency period of COVID-19 pandemic and as allowed under OMB Memorandum M-20-20 (April 9, 2020), federal agencies and recipients donated Personal Protection Equipment (PPE) purchased with federal assistance funds to various entities for the COVID-19 response. As such, the city received donated PPE which the fair market value of the PPE at the time of receipt was \$ 272,758.00. Donated PPE has no bearing on the single audit. (Unaudited)



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

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

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Finding ref number: 2020-001	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for allowable activities and costs and subrecipient monitoring activities.
Name, address, and telephone of City contact person: Kristin Garcia, Finance Director 238 N. Olympic Avenue Arlington, WA 98223 (360) 403-3431	
Corrective action the auditee plans to take in response to the finding: <i>City staff have attended multiple trainings from MRSC, National League of Cities and GFOA on federal grant compliance between fall 2021 and through the current date. Staff have reviewed the uniform guidance compliance supplement. Staff has and will continue to utilize the US Department of Treasury, SAO and MRSC as a resource to answer questions related to federal grant compliance. The city has developed sub-recipient contract templates. The city has obtained the Association of Government Accountants (AGA) risk assessment monitoring tool and checklist for determination of a contractor or sub-recipient relationship. These tools have been incorporated into the city's internal control process.</i>	
Anticipated date to complete the corrective action: Completed	

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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