



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sedro-Woolley

For the period January 1, 2018 through December 31, 2018

Published November 21, 2019

Report No. 1025036





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

November 21, 2019

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

Report on Financial Statements

Please find attached our report on the City of Sedro-Woolley's financial statements.

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S 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 Sedro-Woolley
January 1, 2018 through December 31, 2018**

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, 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 Sedro-Woolley, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 7, 2019.

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 Washington State statutes 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

November 7, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sedro-Woolley January 1, 2018 through December 31, 2018

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sedro-Woolley, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes 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 Sedro-Woolley has prepared these financial statements to meet the financial reporting requirements of Washington State statutes 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 Sedro-Woolley, and its changes in cash and investments, for the year ended December 31, 2018, 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 Sedro-Woolley, as of December 31, 2018, or the changes in financial position or cash flows 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 Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019 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

November 7, 2019

FINANCIAL SECTION

City of Sedro-Woolley January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>102 Cemetery Fund</u>	<u>103 Street Fund</u>
Beginning Cash and Investments					
30810	Reserved	651,482	-	-	-
30880	Unreserved	9,278,180	1,567,507	24,271	62,329
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	6,903,973	4,338,800	82,492	502,288
320	Licenses and Permits	266,314	266,314	-	-
330	Intergovernmental Revenues	5,544,853	503,527	-	256,387
340	Charges for Goods and Services	7,572,458	752,662	84,275	5,000
350	Fines and Penalties	106,050	73,795	-	-
360	Miscellaneous Revenues	555,255	157,562	1,318	1,801
Total Revenues:		<u>20,948,904</u>	<u>6,092,660</u>	<u>168,085</u>	<u>765,476</u>
Expenditures					
510	General Government	828,954	823,432	-	-
520	Public Safety	4,382,426	3,873,113	-	-
530	Utilities	5,075,145	-	133,551	-
540	Transportation	701,258	-	-	610,583
550	Natural and Economic Environment	312,942	265,182	-	-
560	Social Services	39,064	39,064	-	-
570	Culture and Recreation	903,314	625,436	-	-
Total Expenditures:		<u>12,243,103</u>	<u>5,626,227</u>	<u>133,551</u>	<u>610,583</u>
Excess (Deficiency) Revenues over Expenditures:		8,705,801	466,433	34,534	154,893
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,055,518	258,977	-	181,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	117,263	101,667	1,604	-
381, 395, 398	Other Resources	2,200,564	179,170	-	-
Total Other Increases in Fund Resources:		<u>4,373,344</u>	<u>539,814</u>	<u>1,604</u>	<u>181,000</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,238,130	686,347	5,225	188,515
591-593, 599	Debt Service	1,254,750	58,383	-	-
597	Transfers-Out	2,055,518	296,262	12,760	78,878
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	97,795	94,038	-	-
581	Other Uses	2,188,801	29,239	-	-
Total Other Decreases in Fund Resources:		<u>13,834,994</u>	<u>1,164,269</u>	<u>17,985</u>	<u>267,393</u>
Increase (Decrease) in Cash and Investments:		(755,849)	(158,022)	18,153	68,500
Ending Cash and Investments					
5081000	Reserved	275,000	-	-	-
5088000	Unreserved	8,898,812	1,409,485	42,424	130,828
Total Ending Cash and Investments		9,173,812	1,409,485	42,424	130,828

The accompanying notes are an integral part of this statement.

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>104 Arterial Street Fund</u>	<u>105 Library Fund</u>	<u>106 Cemetery Endowment Fund</u>	<u>107 Parks Reserve Fund</u>
Beginning Cash and Investments					
30810	Reserved	125,000	-	-	-
30880	Unreserved	554,760	149,719	2,121	4,348
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	320,685	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,999,167	-	-	-
340	Charges for Goods and Services	84,942	177	58,700	-
350	Fines and Penalties	-	485	-	-
360	Miscellaneous Revenues	4,440	1,803	-	330
Total Revenues:		<u>3,088,549</u>	<u>323,150</u>	<u>58,700</u>	<u>330</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	7,772	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	272,759	-	235
Total Expenditures:		<u>7,772</u>	<u>272,759</u>	<u>-</u>	<u>235</u>
Excess (Deficiency) Revenues over Expenditures:		3,080,777	50,391	58,700	96
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	431,088	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	1,000,000	-	-	-
Total Other Increases in Fund Resources:		<u>1,431,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,779,744	4,201	-	-
591-593, 599	Debt Service	1,978	-	-	-
597	Transfers-Out	-	147,600	-	3,816
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	500,000	-	-	-
Total Other Decreases in Fund Resources:		<u>4,281,722</u>	<u>151,801</u>	<u>-</u>	<u>3,816</u>
Increase (Decrease) in Cash and Investments:		230,143	(101,410)	58,700	(3,720)
Ending Cash and Investments					
5081000	Reserved	125,000	-	-	-
5088000	Unreserved	784,903	48,309	60,821	628
Total Ending Cash and Investments		909,903	48,309	60,821	628

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>108 Lodging Tax Fund</u>	<u>109 Special Investigation Fund</u>	<u>112 Code Enforcement Fund</u>	<u>113 Paths And Trails Fund</u>
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	9,521	23,153	71,482	4,006
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	36,211	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	1,199
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	31,600	-
360	Miscellaneous Revenues	448	589	1,984	85
Total Revenues:		<u>36,659</u>	<u>589</u>	<u>33,584</u>	<u>1,283</u>
Expenditures					
510	General Government	-	-	1,522	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	28,766	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>28,766</u>	<u>-</u>	<u>1,522</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		7,893	589	32,062	1,284
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	9,653	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	<u>9,653</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	3,860	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	45,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	<u>3,860</u>	<u>45,000</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		7,893	6,382	(12,938)	1,284
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	17,414	29,535	58,544	5,289
Total Ending Cash and Investments		17,414	29,535	58,544	5,289

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

	114 Law Enforcement Sales Tax	115 City Council Strategic Reserve	205 2008 G/O Bond Fund	230 1996 G/O Bond Redemption	
Beginning Cash and Investments					
30810	Reserved	-	-	150,000	-
30880	Unreserved	-	258,169	42,283	4,687
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	509,313	146,688	114,864	1,587
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	4,351	108
Total Revenues:		509,313	146,688	119,215	1,695
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	509,313	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	18,994	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		509,313	18,994	-	-
Excess (Deficiency) Revenues over Expenditures:		(0)	127,694	119,215	1,695
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	50,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	50,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	150,550	-
597	Transfers-Out	-	50,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	50,000	150,550	-
Increase (Decrease) in Cash and Investments:		(0)	77,694	18,665	1,695
Ending Cash and Investments					
5081000	Reserved	-	-	150,000	-
5088000	Unreserved	-	335,864	60,949	6,383
Total Ending Cash and Investments		-	335,864	210,949	6,383

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

	302 Capital Projects Reserve Fund	303 Building Maintenance Reserve	304 Transportation Benefit District	305 Library Construction Fund
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	636,007	143,050	153,926
388 / 588	Prior Period Adjustments, Net	-	-	48
Revenues				
310	Taxes	487,971	-	208,098
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	1,682,571
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	10,003	4,396	-
Total Revenues:		497,973	4,396	208,098
Expenditures				
510	General Government	-	-	4,000
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	4,885
Total Expenditures:		-	-	8,885
Excess (Deficiency) Revenues over Expenditures:		497,974	4,396	208,098
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	147,600
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	479,464
Total Other Increases in Fund Resources:		-	-	627,064
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	1,325,262
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	408,787	6,340	331,088
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	474,372	-	-
Total Other Decreases in Fund Resources:		883,159	6,340	331,088
Increase (Decrease) in Cash and Investments:		(385,185)	(1,944)	(122,990)
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	250,822	141,106	30,936
Total Ending Cash and Investments		250,822	141,106	30,936
		978,144	978,144	978,144

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		310 Police Mitigation Reserve Fund	311 Parks Impact Fee Reserve Fund	312 Fire Impact Fee Reserve Fund	313 Public Safety Sales Tax Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	28,968	250,616	12,841	28,127
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	154,977
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	3,865	33,100	15,991	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	550	3,424	616	-
Total Revenues:		4,414	36,524	16,607	154,977
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		4,415	36,524	16,607	154,977
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	113,234	-	120,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	113,234	-	120,000
Increase (Decrease) in Cash and Investments:		4,415	(76,710)	16,607	34,977
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	33,382	173,905	29,448	63,104
Total Ending Cash and Investments		33,382	173,905	29,448	63,104

City of Sedro-Woolley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>401 Sewer Operations Fund</u>	<u>412 Solid Waste Operations Fund</u>	<u>425 Stormwater Operations</u>	<u>501 Equipment Replacement Fund</u>
Beginning Cash and Investments					
30810	Reserved	376,482	-	-	-
30880	Unreserved	4,355,069	405,366	154,337	331,470
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	26,035	75,968
340	Charges for Goods and Services	3,621,220	2,199,499	713,027	-
350	Fines and Penalties	170	-	-	-
360	Miscellaneous Revenues	304,054	30,631	13,753	10,402
Total Revenues:		<u>3,925,444</u>	<u>2,230,130</u>	<u>752,815</u>	<u>86,370</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	2,273,624	2,018,043	649,927	-
540	Transportation	-	-	-	82,903
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>2,273,624</u>	<u>2,018,043</u>	<u>649,927</u>	<u>82,903</u>
Excess (Deficiency) Revenues over Expenditures:		1,651,820	212,087	102,887	3,467
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	986,853
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	2,568	-	1,770
381, 395, 398	Other Resources	539,429	-	1,000	1,500
Total Other Increases in Fund Resources:		<u>539,429</u>	<u>2,568</u>	<u>1,000</u>	<u>990,123</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,289,639	-	31,390	923,946
591-593, 599	Debt Service	1,042,055	-	1,784	-
597	Transfers-Out	165,678	209,956	66,119	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	2,314	-	1,443
581	Other Uses	1,175,000	-	10,190	-
Total Other Decreases in Fund Resources:		<u>3,672,373</u>	<u>212,270</u>	<u>109,483</u>	<u>925,389</u>
Increase (Decrease) in Cash and Investments:		(1,481,124)	2,385	(5,596)	68,201
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	3,250,427	407,751	148,742	399,672
Total Ending Cash and Investments		<u>3,250,427</u>	<u>407,751</u>	<u>148,742</u>	<u>399,672</u>

City of Sedro-Woolley
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	Agency
		<hr/>	<hr/>
308	Beginning Cash and Investments	1,250	1,250
388 & 588	Prior Period Adjustment, Net	-	-
310-390	Additions	207,556	207,556
510-590	Deductions	207,645	207,645
		<hr/>	<hr/>
	Net Increase (Decrease) in Cash and Investments:	(89)	(89)
508	Ending Cash and Investments	1,161	1,161

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Sedro-Woolley was incorporated in December 1898. On September 3, 2007 the City became a Non-charter Code City pursuant to the Optional Municipal Code of the State of Washington, retaining the Mayor-Council plan of government. The City operates under the laws of the state of Washington applicable to a Non-Charter Code City. The city is a general purpose government and provides police and fire protection, including emergency medical response services, engineering, street and arterial construction and maintenance, parks and recreation services, a public library and general administrative services. In addition, the city owns and operates a cemetery, a sewer system, a solid waste collection service, and a storm water management system.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined 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 City of Sedro-Woolley'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 unless required to be rolled up into a single fund for reporting purposes. 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 (Current Expense) Fund**

This fund is the primary operating fund of the City of Sedro-Woolley. It accounts for all financial resources except those required or elected to be accounted for in another fund. For clarity in financial reporting, 101 Parks Operations Fund is rolled into 001 Current Expense Fund.

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. For clarity in financial reporting, 206 G/O Bond 2008 Reserve Fund is rolled up into 205 2008 G/O Bond Fund.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The following sewer proprietary funds are rolled into 401 Sewer Funds for clarity in financial reporting: 401 Sewer Operations, 402 Facilities Reserve, 407 Revenue Bond, 410 Capital Projects Reserve and 411 Revenue Bond Reserve. In addition, 412 Solid Waste Operations and 413 Solid Waste Reserve are rolled into 412 Solid Waste Operations Fund. Finally, 425 Stormwater Operations and 426 Stormwater Reserve are rolled into 425 Stormwater Operations Fund.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Sedro-Woolley in a trustee capacity or as an agent on behalf of others.

Custodial Funds

These funds are used to account for assets that the City of Sedro-Woolley 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 only when cash is received and expenditures are recognized when paid.

In accordance with state law the City of Sedro-Woolley also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Budgets

The City of Sedro-Woolley adopts annual appropriated budgets for all funds except the Municipal Court Trust. These budgets are adopted at the fund level for all funds. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

Council approved budget amendments during 2018 primarily related to awarding of grants, asset purchases as well as other changes of a more routine nature.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance Under/(Over)
001 Current Expense Fund	7,056,318.00	5,898,171.07	1,158,146.93
101 Parks & Facilities Fund	1,127,478.00	892,325.22	235,152.78
102 Cemetery Fund	167,920.00	151,536.21	16,383.79
103 Street Fund	962,929.00	877,976.60	84,952.40
104 Arterial Street Fund	5,301,741.00	4,289,494.29	1,012,246.71
105 Library Fund	461,391.00	424,560.22	36,830.78
106 Cemetery Endowment Fund	4,621.00	0.00	4,621.00
107 Parks Reserve Fund	4,848.00	4,050.50	797.50
108 Lodging Tax Fund	38,071.00	28,765.76	9,305.24
109 Special Investigation Fund	30,753.00	3,860.14	26,892.86
112 Code Enforcement Fund	74,482.00	46,522.16	27,959.84
113 Paths And Trails Fund	5,256.00	0.00	5,256.00
114 Law Enforcement Sales Tax	550,000.00	509,313.23	40,686.77
115 City Council Strategic Reserve	410,169.00	68,993.70	341,175.30
205 2008 G/O Bond Fund	213,783.00	150,549.75	63,233.25
206 G/O Bond 2008 Reserve Fund	150,000.00	0.00	150,000.00
230 1996 G/O Bond Redemption Fun	4,687.00	0.00	4,687.00
302 Capital Projects Reserve Fund	970,007.00	883,158.91	86,848.09
303 Building Maintenance Reserve	146,024.00	6,339.75	139,684.25
304 Transportation Benefit District	353,926.00	331,088.00	22,838.00
305 Library Construction Fund	2,591,268.00	1,334,146.41	1,257,121.59
310 Police Mitigation Reserve Fund	34,043.00	0.00	34,043.00
311 Parks Impact Fee Reserve Fund	307,616.00	113,234.48	194,381.52
312 Fire Impact Fee Reserve Fund	37,966.00	0.00	37,966.00
313 Public Safety Sales Tax Fund	148,127.00	120,000.00	28,127.00
401 Sewer Operations Fund	5,088,161.00	4,197,701.71	890,459.29
402 Sewer Facilities Reserve Fund	1,018,515.00	75,000.00	943,515.00
407 1998 Sewer Revenue Bond Fund	833,550.00	833,250.00	300.00
410 Sewer Capital Projects Reserve	3,191,856.00	1,793,755.37	1,398,100.63
411 1998 Sewer Rev Bond Res Fund	376,482.00	376,481.95	0.05
412 Solid Waste Operations Fund	2,369,931.00	2,299,312.90	70,618.10
413 Solid Waste Reserve Fund	163,335.00	0.00	163,335.00
425 Stormwater Operations	861,656.00	759,409.84	102,246.16
426 Stormwater Reserve Fund	66,919.00	0.00	66,919.00
501 Equipment Replacement Fund	1,477,571.00	1,008,291.64	469,279.36
631 Suspense Fund	150,000.00	30,204.00	119,796.00

The Finance Director is authorized to transfer budgeted amounts between departments within any fund/object classes within departments. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Sedro-Woolley's legislative body.

d. Cash and Investments

See Note 2, Deposits and Investments.

e. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets and inventory of the City of Sedro-Woolley are recorded as capital expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 280 hours and is payable upon separation or retirement. In the unlikely event that all employees separated from employment at fiscal year end, the amount that would be due to employees to buy-out vested leave balances is \$366,035. Sick leave may be accumulated up to 1,440 hours. Upon separation employees do not receive payment for unused sick leave except upon retirement employees receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

g. Long-Term Debt

See Note 4, Debt Service Requirements.

h. Risk Management

The City is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2018, there are 207 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,922,394.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2018, were \$2,809,430.40.

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

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

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map,

and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC. The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor’s office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

i Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Ending cash and investments which are reserved at year end are detailed below:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
G/O 2008 Bond Reserve Fund 205	\$150,000	USDA City Hall Bond Reserve
Arterial Street Fund 104	\$125,000	TIB Grant Advance

NOTE 2 – DEPOSITS AND INVESTMENTS

It is the City of Sedro-Woolley’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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

Investments are reported at original cost, with interest earnings recorded when earned. Investments by type at December 31, 2018 are as follows:

Type of Investment	City of Sedro-Woolley's own investments	Investments held by as an agent for others	Total
L.G.I.P.	\$8,781,031.00	\$0.00	\$8,781,031.00
Total	\$8,781,031.00	\$0.00	\$8,781,031.00

NOTE 3 - PROPERTY TAX

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month. Property tax revenues are recognized when cash is received by the City of Sedro-Woolley. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City of Sedro-Woolley's regular levy for 2018 was \$2.1120 per \$1,000 on an assessed valuation of \$885,446,218 for a total regular levy of \$1,870,115.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Sedro-Woolley and summarizes the City’s debt transactions for the year ended December 31, 2018.

The combined debt service payment requirements for the City’s USDA loan, revenue bonds, public works loans, and notes payable are as follows:

Year	Principal	Interest	Total
2019	\$639,538.95	\$126,814.40	\$766,353.35
2020	641,567.59	121,833.95	763,401.54
2021	643,679.92	116,769.83	760,449.75
2022	645,879.36	111,618.58	757,497.94
2023	648,169.56	106,376.59	754,546.15
2024-2028	2,463,813.21	452,131.11	2,915,944.32
2029-2033	400,056.06	352,692.69	752,748.75
2034-2038	489,661.46	263,087.29	752,748.75
2039-2043	599,336.87	153,411.88	752,748.75
2044-2048	374,529.37	29,399.45	403,928.82
Totals	\$7,546,232.34	\$1,834,135.78	\$9,380,368.12

During 2018, the City arranged for long-term debt financing for the new regional library currently under construction, the amounts of which are not included in the above table as the bond proceeds have not been fully disbursed at 12/31/2018. The bond, in an amount not to exceed \$5,150,000, will be a 20-year fixed rate single bond bearing on interest rate of 2.31%. The City will draw down the principal, as required, during the construction period with final closeout and principal determined at the completion of the construction project.

NOTE 5 - PENSION PLANS

Substantially all City of Sedro-Woolley full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) or Law Enforcement Officer’s and Fire Fighter’s Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems (DRS), 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.

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

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

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

The City of Sedro-Woolley 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.

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.

The City of Sedro-Woolley 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.

At June 30, 2018 (the measurement date of the plans), the City of Sedro-Woolley’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$151,038.40	0.02%	\$1,009,145.00
PERS 2/3	\$223,835.89	0.03%	\$495,303.00
VFFRPF-Fire	\$870.00	0.42%	(\$224,374.00)
VFFRPF-Police	\$30.00	0.01%	(\$7,737.00)
LEOFF 1	\$0.00	0.01%	(\$148,544.00)
LEOFF 2	\$87,155.67	0.05%	(\$1,020,388.00)

NOTE 6 – INTERFUND LOANS

The City utilized Resolution 850-11 authorizing short-term interfund loans from the Sewer Capital Projects Reserve Fund to the Arterial Streets Fund for cash flow purposes due to the timing of reimbursements for traffic projects, not to exceed \$1,000,000. Resolution 794-09 authorizes short-term interfund loans to maintain cash flow. Resolution

985-18 authorized an interfund loan in the amount of \$175,000 from the Sewer Capital Projects Reserve Fund to the General Fund to temporarily provide financing for the purchase of real estate. Resolution 991-18 authorized an interfund loan from the Capital Projects Reserve Fund to the Library Construction Fund to provide temporary cash flow funding during periods of time the City is waiting on reimbursement payments due from State grants.

The interest rate on all interfund loans equals the average of the Washington State Treasurer’s Local Government Investment Pool rate for the period which the loans are outstanding. The following table presents interfund loan activity during 2018:

Borrowing Fund	Lending Fund	Balance 1/1/2018	New Loans	Repayments	Balance 12/31/2018
General Fund #001	Sewer Capital Projects Reserve #410	\$0.00	\$175,000.00	\$29,239.24	\$145,760.76
Arterials Fund #104	Sewer Capital Projects Reserve #410	0.00	1,000,000.00	500,000.00	500,000.00
Library Construction Fund #305	Capital Projects Reserve Fund #302	0.00	474,372.24	0.00	474,372.24
Stormwater Fund #425	Sewer Capital Projects Reserve #410	95,438.33	0.00	10,190.00	85,248.33
General Fund #001	Sewer Capital Projects Reserve #410	300,000.00	0.00	0.00	300,000.00
Totals:		\$395,438.33	\$1,649,372.24	\$539,429.24	\$1,505,381.33

NOTE 7 – OTHER DISCLOSURES

Post Employment Benefits: The City of Sedro-Woolley has a commitment to pay for postemployment benefits for employees that belong to the LEOFF 1 retirement plan. These benefits include medical, vision, dental, hearing, prescriptions and long-term nursing care. Six (6) retirees remain in the plan at December 31, 2018 and \$58,594 was paid out for benefits during the year. The City of Sedro-Woolley is the plan administrator for these benefits and is responsible for these types of expenses.

Jointly Governed Organizations: The City of Sedro-Woolley along with the Cities of Anacortes, Burlington, Mount Vernon; Towns of Concrete, Hamilton, La Conner, Lyman; and Skagit County; Skagit PUD #1; Ports of Anacortes and Skagit County; Skagit Transit; Swinomish Tribal Community and the Samish Indian Nation are all members of the Skagit Council of Governments (SCOG). SCOG was created to provide opportunities of collaboration and cooperation between local government units as well as providing transportation and comprehensive land use planning. Members are assessed dues based upon a per capita ratio as determined by the SCOG Board of Directors. In the unlikely event that the members vote to dissolve the organization, the organization’s net assets are distributed to the member agencies.

Subsequent Events:

Joint Construction of a Regional Library

Beginning February 18, 2018 library services are provided to Sedro-Woolley residents by contract with the Central Skagit Rural Partial County Library District (District). During the initial period of the agreement, the City and the District pay into Library Construction Fund a combined \$360,000 per year to be applied towards costs of the construction of a new library facility. Once permanent financing has been obtained for the cost of the facility, the city will pay an annual fee, that along with its capital contribution, equals it’s the City’s assessed valuation times the District’s millage rate, less the cost of the City’s annual debt service.

On June 5, 2019, the City completed financing for the construction of the new library facility through the issuance of a private placement bond purchased by Banner Bank. The bond, issued in an amount not to exceed \$5,150,000, has a maturity of twenty years, an interest rate of 2.31%, and retains the ability of the City to pay off the bond, in whole or

in part, during the term of the bond. During construction, the City has the ability to draw down principal as needed for a period not to exceed 18 months from closing.

The City and the District are committed to a partnership that will last at least in excess of 20 years and includes the contracted services described above as well as the joint development and ownership of a new library. The new library will be located at 100 W. State Street and is currently in design by SHKS Architects. The committed budget includes \$5,150,000 in debt proceeds, \$630,000 in shared, saved funds, \$2,500,000 capital appropriation from the State and additional funds from the district for furniture, fixtures & equipment as well as an opening day collection. The new library is expected to open to the public in the spring of 2021. Additional information and interlocal agreements are posted on the city’s website.

Implementation of an Advanced Life Saving Program (ALS).

Effective January 1, 2019, the City of Sedro-Woolley began providing Advanced Life Saving services as part of an interlocal agreement with Skagit County. The County, with approval from the voters of Skagit County and as authorized by RCW84.52.069, will collect a countywide Emergency Medical Services (EMS) levy through December 31, 2024. Under the terms of the six-year interlocal agreement, the City of Sedro-Woolley will work cooperatively to deliver seamless, countywide EMS services with funding to be received from the Skagit County EMS levy. EMS revenues are not intended to supplant current fire department funding.

For providing EMS services, the City of Sedro-Woolley will be compensated by Skagit County annually in the follow amounts:

Year	Amount
2019	\$1,137,000
2020	\$1,171,110
2021	\$1,206,243
2022	\$1,242,431
2023	\$1,279,704
2024	\$1,318,095

These services will be budgeted for and accounted in the General Fund/Fire Department as an integral component of the City’s Public Safety services. The City anticipates the hiring of 8 fulltime firefighter paramedics in order to staff this additional program.

**City of Sedro-Woolley
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.61	Note Payable - Winnie Houser Playfields	3/15/2018	50,000	-	50,000	-
263.81	USDA Loan #56029**127697 02	8/28/2048	2,521,944	-	64,475	2,457,469
Total General Obligation Debt/Liabilities:			2,571,944	-	114,475	2,457,469
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2008 Sewer Revenue Refunding Bond	6/1/2018	415,000	-	415,000	-
259.12	Compensated Absences		306,468	59,567	-	366,035
263.88	PWTF Loan #PW-05-691-PRE-105	6/1/2025	306,223	-	38,278	267,945
263.88	PWTF Loan #PWTF-258460	6/1/2026	3,150,000	-	350,000	2,800,000
263.88	PWTF Loan #PWTF-256894	6/1/2028	2,222,901	-	202,082	2,020,819
264.30	Net Pension Liability		2,103,794	-	599,346	1,504,448
Total Revenue and Other (non G.O.) Debt/Liabilities:			8,504,386	59,567	1,604,706	6,959,247
Total Liabilities:			11,076,330	59,567	1,719,181	9,416,716

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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