



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Shoreline

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

*Published September 30, 2021*

Report No. 1029210



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

September 30, 2021

Council  
City of Shoreline  
Shoreline, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Shoreline'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

***Americans with Disabilities***

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## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
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.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	8
Independent Auditor's Report on the Financial Statements.....	11
Financial Section.....	14
About the State Auditor's Office.....	71

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Shoreline January 1, 2020 through December 31, 2020

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Shoreline 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 Coronavirus Relief Fund

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

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

### City of Shoreline January 1, 2020 through December 31, 2020

Council  
City of Shoreline  
Shoreline, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shoreline, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2021.

As discussed in Note 17 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 17. Our opinion is not modified with respect to this matter.

### 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

September 30, 2021

# INDEPENDENT AUDITOR'S REPORT

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

## City of Shoreline January 1, 2020 through December 31, 2020

Council  
City of Shoreline  
Shoreline, Washington

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

### **Opinion on Each Major Federal Program**

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 30, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### City of Shoreline January 1, 2020 through December 31, 2020

Council  
City of Shoreline  
Shoreline, Washington

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shoreline, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shoreline, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 17 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 17. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying 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). This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 September 30, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 30, 2021

**City of Shoreline  
January 1, 2020 through December 31, 2020**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities – 2020

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and  
Actual – General Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
– 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to the Financial Statements – 2020

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2020

Schedule of Employer Contributions – PERS 1 – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 2/3 – 2020

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

## Management Discussion and Analysis

As management of the City of Shoreline, we offer readers of the City of Shoreline's financial statements this narrative overview and analysis of the financial activities of the City of Shoreline for the fiscal year ended December 31, 2020.

### Financial Highlights

The Assets of the City Shoreline exceeded its Liabilities at the end of the most recent fiscal year by \$386,805,751. Of this amount, \$40,230,281 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by \$21,544,166 from 2019. Revenues from governmental activities exceeded governmental expenditures by \$17,839,358 and business-type activity revenues exceeded expenditures by \$3,665,901 in 2020 before transfers and special items.
- As of the close of 2020, the City of Shoreline's governmental funds reported combined ending net position balances of \$365,416,62, an increase, of \$19,387,111, in comparison with the prior year. Approximately 5% or \$18.2 million, constitutes unrestricted fund balance, which is available for spending at the government's discretion for general operations.
- At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$22,023,659 or 51%, of the total general fund expenditures.
- The City's total outstanding debt increased \$19,888,564, in total, during 2020. The City's total outstanding bonded debt and loans increased by \$21,527,962 during 2020. The portion of this change attributable to general obligation debt was the net result of an increase due to a general obligation bond anticipation note, totaling \$25,000,000 netted against general obligation principal payments, and premiums amortization totaling \$2,747,000 and payments totaling \$376,475 on the Public Works Trust Fund Loans during 2020. Additionally, the Surface Water Utility Fund made principal payments of \$550,576 on the 2016 and the 2018 Revenue bonds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Shoreline's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Shoreline's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Shoreline that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities for the City include general government, public safety, physical environment (e.g., construction inspection and capital planning and design),

transportation, economic environment (e.g., permitting, planning), and culture & recreation. The business-type activities of the City are the surface water utility and wastewater utility.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Shoreline, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Shoreline can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Shoreline maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general capital fund, and the roads capital fund, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation.

The City of Shoreline adopts a biennial appropriated budget for its General Fund with annual spending plans. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds.** The City of Shoreline maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its surface water utility and wastewater utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Shoreline's various functions. The City uses internal service funds to account for its fleet of vehicles and equipment. The City also uses an internal service fund to provide for its unemployment compensation obligations. Because the services accounted for within the City's internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides information for the surface water utility and wastewater utility. Surface water utility is considered a major fund of the City of Shoreline. Both surface water utility and wastewater utility are presented as major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

Table 1  
City of Shoreline's Net Position  
December 31, 2020

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 86,433,398	\$ 65,579,889	\$ 5,835,339	\$ 5,282,076	\$ 92,268,737	\$ 70,861,965
Capital assets	347,768,872	329,067,990	19,477,280	18,031,615	367,246,152	347,099,605
<b>Total Assets</b>	<b>434,202,270</b>	<b>394,647,879</b>	<b>25,312,619</b>	<b>23,313,692</b>	<b>459,514,889</b>	<b>417,961,571</b>
<b>Deferred Outflows of Resources</b>	<b>2,153,959</b>	<b>2,040,127</b>	<b>322,236</b>	<b>276,716</b>	<b>2,476,195</b>	<b>2,316,843</b>
Current liabilities	6,541,216	6,249,024	1,518,383	532,891	8,059,599	6,781,915
Non-Current liabilities	59,998,653	40,467,218	2,455,887	3,376,442	62,454,540	43,843,660
<b>Total liabilities</b>	<b>66,539,869</b>	<b>46,716,242</b>	<b>3,974,270</b>	<b>3,909,333</b>	<b>70,514,139</b>	<b>50,625,575</b>
<b>Deferred Inflows of Resources</b>	<b>4,399,999</b>	<b>3,942,513</b>	<b>271,196</b>	<b>448,740</b>	<b>4,671,195</b>	<b>4,391,253</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	326,932,265	306,209,375	17,572,891	15,598,412	344,505,156	321,807,787
Restricted	20,218,177	19,395,277	-	500,000	20,218,177	19,895,277
Unrestricted	18,265,919	20,424,598	3,816,498	3,633,923	22,082,417	24,058,521
<b>Total net position</b>	<b>\$ 365,416,362</b>	<b>\$ 346,029,250</b>	<b>\$ 21,389,389</b>	<b>\$ 19,232,335</b>	<b>\$ 386,805,751</b>	<b>\$ 365,261,585</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Shoreline, assets exceeded liabilities by \$386,805,751 as of December 31, 2020.

By far the largest portion of the City's net position (89%) reflects the investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position of both governmental and business activities \$22,082,417 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$21,544,165 compared to 2019. The unrestricted net position decreased (\$1,976,104).

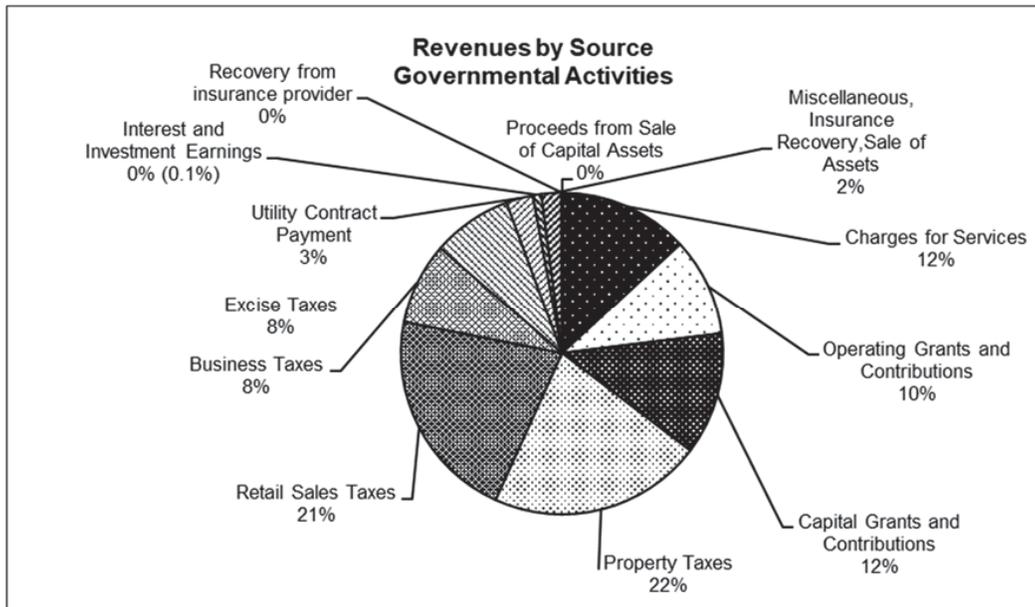
**Governmental activities.** Governmental activities increased the City's net position by \$19,387,111, whereas the Business-type activities increased \$2,157,054. Key elements of the increase are as follows:

**City of Shoreline's Changes in Net Activities**

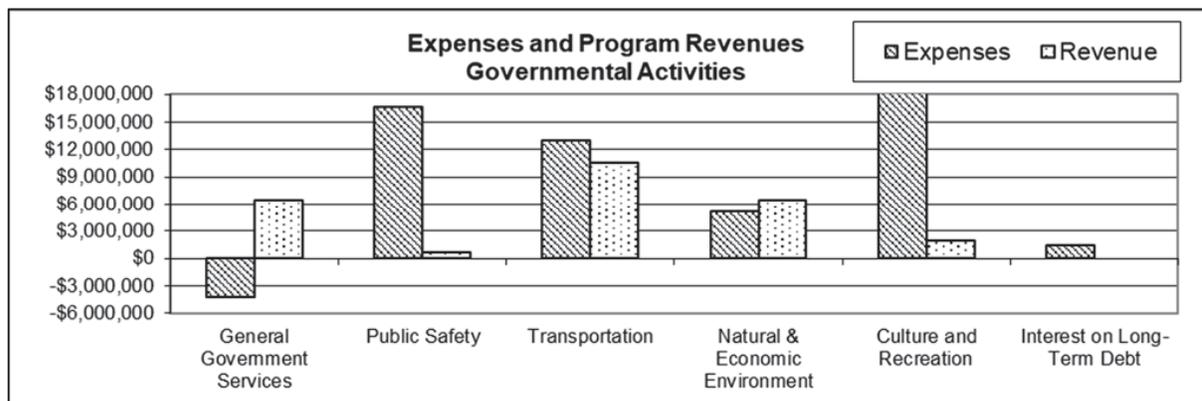
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 10,084,382	\$ 13,528,823	\$ 7,268,554	\$ 6,570,616	\$ 17,352,935	\$ 20,099,438
Operating Grants and Contributions	\$ 7,448,396	\$ 5,238,842	3,527,787	2,314,879	\$ 10,976,183	\$ 7,553,722
Capital Grants and Contributions	\$ 9,102,419	\$ 2,301,653	223,927	608,595	\$ 9,326,346	\$ 2,910,248
<b>General revenues:</b>						
Property Taxes	15,875,517	14,813,397			\$ 15,875,517	\$ 14,813,397
Retail Taxes	15,799,143	14,724,981			\$ 15,799,143	\$ 14,724,981
Business Taxes	6,132,583	6,276,887			\$ 6,132,583	\$ 6,276,887
Excise Tax	5,928,349	4,544,401			\$ 5,928,349	\$ 4,544,401
Utility Contract Payment	1,990,622	2,122,870			\$ 1,990,622	\$ 2,122,870
Interest and Investment Earnings	626,029	939,917	48,762	98,728	\$ 674,792	\$ 1,038,645
Miscellaneous	1,485,731	416,142	14,061	15,735	\$ 1,499,792	\$ 431,877
<b>Total Revenue</b>	<b>74,473,171</b>	<b>64,907,914</b>	<b>11,083,091</b>	<b>9,608,553</b>	<b>85,556,262</b>	<b>74,516,467</b>
<b>Expenses:</b>						
General Government	14,738,390	14,206,040	-	-	14,738,390	14,206,040
Public Safety	16,665,680	16,345,923	-	-	16,665,680	16,345,923
Utilities	-	-	-	-	-	-
Transportation	12,949,370	17,497,172	-	-	12,949,370	17,497,172
Natural & Economic Environment	5,125,526	3,585,823	-	-	5,125,526	3,585,823
Culture and Recreation	5,694,070	7,088,243	-	-	5,694,070	7,088,243
Interest on Long-Term Debt	1,460,777	1,464,854	-	-	1,460,777	1,464,854
Surface Water & Wastewater	-	-	7,417,190	6,432,014	7,417,190	6,432,014
<b>Total Expenses</b>	<b>56,633,813</b>	<b>60,188,054</b>	<b>7,417,190</b>	<b>6,432,014</b>	<b>64,051,003</b>	<b>66,620,069</b>
<b>Increase in net position before transfers and special items</b>	<b>17,839,358</b>	<b>4,719,860</b>	<b>3,665,901</b>	<b>3,176,538</b>	<b>21,505,259</b>	<b>7,896,398</b>
Transfers	1,510,978	914,026	(1,510,978)	(914,026)	-	0
Insurance Recoveries	15,457	4,565	2,131	-	17,588	4,565
Gain from Sale of Capital Assets	21,318	35,482	-	-	21,318	35,482
Special Items	-	-	-	-	-	-
<b>Increase in net position</b>	<b>19,387,111</b>	<b>5,673,933</b>	<b>2,157,054</b>	<b>2,262,512</b>	<b>21,544,165</b>	<b>7,936,445</b>
Net position - January 1	346,029,251	340,355,317	19,232,335	16,969,823	365,261,585	357,325,140
<b>Net position - December 31</b>	<b>\$ 365,416,362</b>	<b>\$346,029,251</b>	<b>\$ 21,389,389</b>	<b>\$ 19,232,335</b>	<b>\$ 386,805,751</b>	<b>\$ 365,261,585</b>

Governmental revenues increased year-over-year by \$9,565,256, or 15%. Under the program revenues, charges for services decreased (\$3,444,441), operating grants and contributions increased \$2,209,554, and capital grants and contributions increased by \$6,800,766.

- Property Taxes: Receipts from the Regular Property Tax Levy were \$1,062,119, or 7.17%, more.
- Retail Taxes: Retail sales tax receipts were \$1,074,162, or 7.29%, more.
- Business Taxes: Business tax receipts were (\$143,804), or (2.29%), less; Utility tax receipts were 6% less.
- Excise Taxes: The increase is largely due to higher collections of real estate excise taxes, which were higher by \$1,383,948, or 30.45%.



Governmental expenses decreased year-over-year by (\$3.6 million), or (6%). General Government expenses increased by (\$0.5 million), Public Safety increased by \$319,758, or 2%. Costs for permitting, inspections, and engineering services increased by \$1,539,704, or 43%. Transportation expenses decreased by (\$4,547,802), or (26%), due to construction of major projects. Culture and Recreation decreased by (\$1,394,173), primarily due purchase and capitalization of property.



**Business-type activities.** Business-type activities increased the City's net position by \$2,157,054. Key elements of this change are as follows:

- Operating Grants and Contributions increase \$1,212,908, or 52% in 2020 due to Ronald Wastewater District contributions.
- Capital grants decrease (\$384,668), or (63%) in 2020 (KC Flood Control funding decrease).

#### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the city's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$74,201,941 increasing year-over-year by \$20,819,211, as follows: 1) the fund balance of the General Fund increased by \$3,815,716; 2) the fund balance of the General Capital Fund increased by \$10,625,750; 3) the fund balance of the Roads Capital Fund increased by \$3,153,889; and 4) the fund balance of the non-major funds increased by \$3,223,856.

Approximately 44% or \$32,870,980 constitutes assigned and unassigned fund balances, which are available for spending at the government's discretion for general operations. In addition to the fund balances available for general operations there are nearly \$9,759,206 of committed fund balance and \$31,571,754 of restricted/non spendable fund balance.

The City implemented GASB 54 during 2011 and the financial statements reflect that implementation. The General Fund as reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds* consists of two funds: General Fund and Revenue Stabilization Fund. As of December 31, 2020, unassigned fund balance of the General Fund was \$15,158,596 while total fund balance reached \$31,983,903. As a measure of General Fund liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance is approximately 47% of the total General Fund balance and nearly 35% of the General Fund expenditures excluding transfers out.

The fund balance of the City's General Fund increased year-over-year by \$3,815,716. The variance from budget was \$9.2 million better than anticipated. Key factors in this change of activities are as follows:

Overall General Fund revenues increased year-over-year by \$2,541,878, or 5%. Revenues were more than budget by \$3,237,874. The largest factors comprising the year-over-year increase include:

- Regular Property Tax Levy receipts increased by \$1,062,119, or 7%.
- Retail Sales Tax receipts increased by \$1,074,162 million, or 7%.
- This was the City's second year of collecting the Business & Occupation Tax on businesses. B&O Tax receipts from business operations totaled \$1,902,999 and are 44% more than the 2020 budget projection, which was purposefully conservative. Gambling tax receipts decreased by (39%).
- Development revenues of \$3,660,786 decreased by (\$990,709), or (21.3%).

General Fund expenditures, excluding operating transfers-out, increased year-over-year by \$1,728,548, or 4%. Expenditures were (\$10,476,555) less than budget. The most significant areas experiencing budget savings included:

- General Government expenditures came in less than budget (46%). Projects that were not completed in 2020 will continue into 2021.
- Public Safety expenditures less than budget by 7.2%.
- Transportation expenditures were more than budget by less than 4%.
- Natural and Economic Environment expenditures were more than budget by 24%.
- Culture and Recreation expenditures were less than budget (20%) due to savings in closure of City's recreational facility due to the Covid pandemic.

The General Capital Fund has a fund balance of \$10,181,483. The net increase in fund balance within the General Capital Fund was \$10,625,750. This positive increase in fund balance is due to the proceeds of the general obligation anticipation note in 2020. The Note issued was to provide interim financing for the acquisition of property for park and recreation purposes and the payment of other capital expenditures described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the Note.

The Roads Capital Fund has a fund balance of \$20,308,141, which will be used for transportation capital improvements. The net increase in fund balance within the Roads Capital fund was \$3,153,889.

The Non-Major Funds have a fund balance of \$11,728,414, which will be used for: street and right-of-way maintenance; code abatement efforts; training and equipment to support investigations of illegal drug activity; public art projects; collection and use of transportation impact fees; debt service; and, long-term maintenance of City facilities. The net increase in fund balance within these funds was \$3,223,856 and is largely attributable to receipt traffic impact fees, park impact fees, debt refunding proceeds, and the restricted additional 0.2% sales tax collections.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the City's Surface Water Utility Fund is \$20,869,968. The net position of Surface Water Utility Fund increased by \$1,201,269, or 6%. This increase is attributable to an increase in charges for services of \$697,938. The unrestricted fund balance available for general surface water operations at the end of 2020 amounted to \$4,289,384. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The Wastewater Utility Fund began its operation in October 2017 after an approval of an interlocal agreement with Ronald Wastewater District. Its net position at the end of 2020 is a \$519,421. The net position of the Wastewater Utility Fund increased by \$955,785 during 2020. The fund's deficit unrestricted fund balance is (\$472,886) and is primarily due to a GASBS No. 68 prior year-end adjustment to pension expense. Since the Ronald Wastewater District has a net position which far exceeds the deficit in the Wastewater Utility Fund and the City is set to assume the District, it is anticipated that the Wastewater Utility Fund's net position will increase significantly upon assumption. With the assumption, the deficit will be eliminated, and a strong net position established.

### **General Fund Budgetary Highlights**

For reporting purposes under GASB 54, the General Fund as reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds* consists of three funds: General Fund, Shoreline Secure Storage Fund and Revenue Stabilization Fund. The appropriations for these three funds are adopted separately by the City Council. During 2020, the budget was modified only in the General Fund and Shoreline Secure Storage Fund. No changes in the appropriations were made in the Revenue Stabilization Fund.

During the year there was a \$5.982 million increase in appropriation to the final amended budget of the General Fund. Following are the main components of the change in appropriation:

- \$2.115 million supplemental appropriation in the General Fund and \$3 million supplemental appropriation in the Shoreline Secure Storage Fund through Ord. No. 886 for needs that were not known at the time the 2019-2020 biennial budget was amended by Ord. No. 883.
- \$0.867 million supplemental appropriation in the General Fund through Ord. No. 904 for needs that were not known at the time the 2019-2020 biennial budget was amended by Ord. No. 886.

### **Capital Asset and Debt Administration**

**Capital assets.** The city's investment in capital assets for its governmental and business-type activities as of December 31, 2020 totals \$367,246,152 net of accumulated depreciation. These assets include infrastructure, buildings, land, machinery and equipment, vehicles, road improvements, park facilities, and construction-in-progress.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 151,489,061	\$ 135,541,662	\$ 23,632	\$ 23,632	\$ 151,512,693	\$ 135,565,294
Buildings	32,421,366	30,358,539	-	-	32,421,366	30,358,539
Improvements other than buildings	12,050,330	12,768,164	359,936	367,935	12,410,266	13,136,099
Machinery and equipment	3,038,050	2,883,309	1,019,013	196,575	4,057,063	3,079,884
Infrastructure	138,273,763	144,873,172	14,711,589	15,164,018	152,985,352	160,037,190
Construction in progress	10,496,302	2,643,144	3,363,110	2,279,455	13,859,411	4,922,599
Total	\$ 347,768,872	\$ 329,067,990	\$ 19,477,281	\$ 18,031,615	\$ 367,246,152	\$ 347,099,605

Major capital asset events during the current fiscal year included the following:

(3) Land	\$ 15,947,399
Major Projects in Work in Progress	\$ 8,351,409
(3) Buildings	3,602,606
Vehicles, Machinery & Equipment	567,432
Echo Lake Park Bathroom Improvements	187,108
	\$ 28,655,954

Additional information on the City's capital assets can be found in Note 4 of the Financial Statements.

**Long-term debt.** As of December 31, 2020, the City had total bonded debt and loans outstanding of \$58,381,437. This total amount represents General Obligation Bonds and related proceeds; General Obligation Notes, Revenue Bonds; and Public Works Trust Fund loans outstanding.

The City issued unlimited tax general obligation bonds in 2006 to be used for open space acquisition and park improvements. These bonds were refunded in 2016 with general obligation bonds which have a five-year repayment period, at fixed interest rates ranging from 1.02 to 1.72%. They will be repaid by a voter-approved property tax levy. The City issued Taxable Build America general obligation bonds (BABs) in 2009 to be used to pay for the purchase of City Hall. These bonds were refunded in 2019 with a cash contribution of \$1,108,944 and the issuance of general obligation bonds which have a twenty-year repayment period, at fixed interest rates ranging from 2.5 to 5.0%. This refunding was undertaken in order to effect net present value savings in excess of \$3.0 million. These Series 2019A bonds will be repaid with real estate excise taxes and General Fund revenues. The City issued 2013 LTGO bonds to finance the purchase of the North Maintenance Facility. These bonds have a twenty-year repayment period, at a fixed interest rate of 3.75%. They will be repaid with general property taxes. In addition to refunding bonds, the City also issued LTGO 2019 bonds for the purpose of financing the City's Sidewalk Prioritization Program. These bonds have a fifteen-year repayment period and were issued at a premium with fixed rates ranging from 3.0 to 5.0%. They will be repaid with voter Transportation Benefit District sales tax. In 2020, the City issue a limited tax general obligation note of \$25,000,000 to be used to provide interim financing for the acquisition of property for parks and recreation purposes and the payment of other capital needed described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the Note. The lump sum payment of the note will be made at final maturity on December 1, 2022.

The City issued Surface Water Utility Revenue Bonds in 2016 and 2018 for various Surface Water Utility projects. These bonds each have a fifteen-year repayment period, at fixed interest rates of 2.23% and 3.35% respectively. The 2001 Public Works Trust Fund loans were used to complete the Ronald Bog and 3rd Avenue NW drainage improvement projects. These loans have a twenty-year repayment period, at a fixed interest rate of 0.5%. The repayment for these loans will be funded with surface water utility fees.

**City of Shoreline's Outstanding Debt**  
General Obligation and Revenue Backed Debt

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 31,477,048	\$ 34,420,271	\$ -	\$ -	\$ 31,477,048	\$ 34,420,271
General Obligation Notes	\$ 25,000,000	\$ -	\$ -	\$ -	25,000,000	\$ -
Public Works Trust Fund Loans	-	-	326,475	652,949	326,475	\$ 652,949
Revenue Bonds	-	-	1,577,914	1,780,254	1,577,914	\$ 1,780,254
<b>Total</b>	<b>\$ 56,477,048</b>	<b>\$ 34,420,271</b>	<b>\$ 1,904,389</b>	<b>\$ 2,433,203</b>	<b>\$ 58,381,437</b>	<b>\$ 36,853,475</b>

The City's total outstanding bonded debt and loans increased by \$21,527,962 during 2020. The portion of this change attributable to general obligation debt was the net result of an increase due to a general obligation bond anticipation note totaling \$25,000,000 netted against general obligation principal payments, advance refunding of debt, and premium amortization totaling (\$2,943,224). Additionally, the Surface Water Utility Fund made principal payments of \$326,475 and \$202,340 on the Public Works Trust Fund Loans and the 2016 & 2018 Revenue Bonds, respectively, during 2020.

Washington State statutes limit the amount of general obligation debt that a unit of government can issue to 7.5 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt capacity for the City was \$866,385,718. The City had \$56,477,048 in outstanding general obligation debt, as of December 31, 2020. Additional information regarding the City's long-term debt can be found in Notes 11 and 12 of the Financial Statements.

**Economic Factors and Next Year's Budgets and Rates**

Since the adoption of the 2019-2020 biennial budget, revenues have come in above projected levels. Retail sales tax and development fees are higher than expected. This City closely monitored and planned for the anticipated impacts of COVID-19 on our revenues and the City recommended that no budget changes be made in any of the City's revenue sources.

During 2020 the fund balance in the General Fund, excluding the Revenue Stabilization, increased by \$3,653,789 to \$26,357,447. The total fund balance includes committed, assigned, and unassigned balances. The City's Reserve policy for the General Fund requires a Cash Flow Reserve of \$3,000,000, a budgeted biennium operating contingency of 2% operating revenues, and a budgeted biennium insurance reserve of \$255,000.

**Requests for Information**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Shoreline Administrative Services Director, 17500 Midvale Ave N., Shoreline, WA 98133-4905.

**CITY OF SHORELINE  
STATEMENT OF NET POSITION  
December 31, 2020**

MCAG No. 1015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Unrestricted Assets</b>			
Cash and Cash Equivalents	\$ 5,134,567	\$ 818,995	\$ 5,953,562
Investments	\$ 66,184,007	\$ 4,469,181	\$ 70,653,188
Receivables:			
Taxes	\$ 350,641	\$ -	\$ 350,641
Accounts	\$ 2,537,154	\$ 222,360	\$ 2,759,514
Interest	\$ 58,020	\$ 4,254	\$ 62,274
Due from Other Governments	\$ 11,908,971	\$ 276,557	\$ 12,185,528
Prepayments	\$ 235,567	\$ 43,993	\$ 279,559
<b>Total Current Unrestricted Assets</b>	<b>\$ 86,408,927</b>	<b>\$ 5,835,339</b>	<b>\$ 92,244,266</b>
<b>Current Restricted Assets</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
<b>Total Current Restricted Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Noncurrent Unrestricted Assets</b>			
Notes/Contracts Receivable	\$ 24,471	\$ -	\$ 24,471
Interfund Loan Receivable	\$ -	\$ -	\$ -
Capital assets not being depreciated:			
Land	\$ 151,489,061	\$ 23,632	\$ 151,512,693
Construction in Progress	\$ 10,496,302	\$ 3,363,110	\$ 13,859,411
Capital Assets Net of Accumulated Depreciation			
Buildings	\$ 32,421,366	\$ -	\$ 32,421,366
Improvements Other than Buildings	\$ 12,050,330	\$ 359,936	\$ 12,410,266
Machinery and Equipment	\$ 3,038,050	\$ 1,019,013	\$ 4,057,063
Infrastructure	\$ 138,273,763	\$ 14,711,589	\$ 152,985,352
Total capital assets	\$ 347,768,872	\$ 19,477,280	\$ 367,246,152
<b>Total Noncurrent Unrestricted Assets</b>	<b>\$ 347,793,343</b>	<b>\$ 19,477,280</b>	<b>\$ 367,270,623</b>
<b>TOTAL ASSETS</b>	<b>\$ 434,202,270</b>	<b>\$ 25,312,619</b>	<b>\$ 459,514,889</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Deferred Outflows - Pension	\$ 2,153,959	\$ 322,236	\$ 2,476,195
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,663,139	\$ 637,120	\$ 2,300,259
Salaries, Taxes & Benefits Payable	\$ 248,799	\$ 57,427	\$ 306,227
Interest Payable	\$ 132,170	\$ 3,820	\$ 135,990
Retainage Payable	\$ 93,673	\$ 1,424	\$ 95,097
Deposits	\$ 628,379	\$ 12,539	\$ 640,918
Due to Other Fund	\$ -	\$ -	\$ -
Interfund Loan Payable	\$ -	\$ -	\$ -
Due to Other Governments	\$ 1,492,056	\$ 307,102	\$ 1,799,157
Long-Term Liabilities Due Within One Year	\$ 2,283,000	\$ 498,951	\$ 2,781,951
<b>Total Current Liabilities</b>	<b>\$ 6,541,216</b>	<b>\$ 1,518,383</b>	<b>\$ 8,059,599</b>
<b>Noncurrent Liabilities:</b>			
Due in More Than One Year	\$ 55,387,255	\$ 1,637,639	\$ 57,024,894
Due in More Than One Year-Net Pension Liability	\$ 4,611,398	\$ 818,248	\$ 5,429,646
<b>Total Noncurrent Liabilities</b>	<b>\$ 59,998,653</b>	<b>\$ 2,455,887</b>	<b>\$ 62,454,540</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 66,539,869</b>	<b>\$ 3,974,270</b>	<b>\$ 70,514,139</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Deferred inflows - Pension	\$ 1,534,956	\$ 271,196	\$ 1,806,152
Deferred inflows - Grants	\$ 479,332	\$ -	\$ 479,332
Deferred inflows - Gain on Refunding	\$ 4,395	\$ -	\$ 4,395
Deferred inflows - Other	\$ 2,381,316	\$ -	\$ 2,381,316
Total deferred inflows of resources	\$ 4,399,999	\$ 271,196	\$ 4,671,195
<b>NET POSITION</b>			
Net investment in Capital Assets	\$ 326,932,265	\$ 17,572,891	\$ 344,505,156
Restricted			
Parks Impact Fee	\$ 1,016,149	\$ -	\$ 1,016,149
State Drug Enforcement Seizures	\$ 88,544	\$ -	\$ 88,544
Fed Drug Enforcement Seizures	\$ 23,048	\$ -	\$ 23,048
Transportation Impact Fees	\$ 5,283,737	\$ -	\$ 5,283,737
Debt Service	\$ 6,656	\$ -	\$ 6,656
Sidewalk Expansion Debt Service	\$ 3,833,167	\$ -	\$ 3,833,167
Capital Improvements	\$ 9,966,876	\$ -	\$ 9,966,876
Unrestricted	\$ 18,265,919	\$ 3,816,498	\$ 22,082,417
Total net position	\$ 365,416,362	\$ 21,389,389	\$ 386,805,751

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020**

MCAG No. 1015

Function/Program	Charges for			Capital Grants and		Business-Type		Total
	Expenses	Services	Contributions	Contributions	Governmental Activities	Activities		
<b>Governmental Activities</b>								
General Government Services	\$ 14,738,390	\$ 3,590,480	\$ 2,624,375	\$ 14,768	\$ (8,508,767)	\$	\$	\$ (8,508,767)
Public Safety	\$ 16,665,680	\$ 229,101	\$ 418,207	\$ -	\$ (16,018,372)	\$	\$	\$ (16,018,372)
Transportation	\$ 12,949,370	\$ 1,579,670	\$ 2,625,246	\$ 6,666,520	\$ (2,077,934)	\$	\$	\$ (2,077,934)
Natural & Economic Environment	\$ 5,125,526	\$ 3,771,659	\$ 1,535,608	\$ 1,773,642	\$ 1,955,383	\$	\$	\$ 1,955,383
Culture and Recreation	\$ 5,694,070	\$ 913,472	\$ 244,960	\$ 647,489	\$ (3,888,148)	\$	\$	\$ (3,888,148)
Interest on Long-Term Debt	\$ 1,460,777	\$ -	\$ -	\$ -	\$ (1,460,777)	\$	\$	\$ (1,460,777)
<b>Total Governmental Activities</b>	<b>\$ 56,633,813</b>	<b>\$ 10,084,382</b>	<b>\$ 7,448,396</b>	<b>\$ 9,102,419</b>	<b>\$ (29,998,616)</b>	<b>\$</b>	<b>\$</b>	<b>\$ (29,998,616)</b>
<b>Business-Type Activities</b>								
Surface Water & Wastewater	\$ 7,417,190	\$ 7,268,554	\$ 3,527,787	\$ 223,927	\$	\$ 3,603,077	\$	\$ 3,603,077
<b>Total Business-Type Activities</b>	<b>\$ 7,417,190</b>	<b>\$ 7,268,554</b>	<b>\$ 3,527,787</b>	<b>\$ 223,927</b>	<b>\$</b>	<b>\$ 3,603,077</b>	<b>\$</b>	<b>\$ 3,603,077</b>
<b>General Revenues:</b>								
<b>Taxes</b>								
Property Taxes, Levied for General Purposes	\$	\$	\$	\$	\$ 14,146,545	\$	\$	\$ 14,146,545
Property Taxes, Levied for 2006 GO Bond	\$	\$	\$	\$	\$ 1,728,972	\$	\$	\$ 1,728,972
Retail Sales Taxes	\$	\$	\$	\$	\$ 15,799,143	\$	\$	\$ 15,799,143
Business Taxes	\$	\$	\$	\$	\$ 6,132,583	\$	\$	\$ 6,132,583
Excise Taxes	\$	\$	\$	\$	\$ 5,928,349	\$	\$	\$ 5,928,349
Utility Contract Payment	\$	\$	\$	\$	\$ 1,990,622	\$	\$	\$ 1,990,622
Investment Earnings	\$	\$	\$	\$	\$ 626,029	\$ 48,762	\$	\$ 674,792
Miscellaneous	\$	\$	\$	\$	\$ 1,485,731	\$ 14,061	\$	\$ 1,499,792
Gain from Sale of Capital Assets	\$	\$	\$	\$	\$ 21,318	\$ -	\$	\$ 21,318
Insurance Recovery	\$	\$	\$	\$	\$ 15,457	\$ 2,131	\$	\$ 17,588
Proceeds from Street Vacation	\$	\$	\$	\$	\$ -	\$ -	\$	\$ -
Transfers	\$	\$	\$	\$	\$ 1,510,978	\$ (1,510,978)	\$	\$ -
Special Items	\$	\$	\$	\$	\$ -	\$ -	\$	\$ -
<b>Total General Revenues, Special Items, and Transfers</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 49,385,727</b>	<b>\$ (1,446,023)</b>	<b>\$</b>	<b>\$ 47,939,704</b>
Change in Net Position	\$	\$	\$	\$	\$ 19,387,111	\$ 2,157,054	\$	\$ 21,544,165
Net Position - Beginning of Year	\$	\$	\$	\$	\$ 346,029,251	\$ 19,232,335	\$	\$ 365,261,585
Net Position - End of Year	\$	\$	\$	\$	\$ 365,416,362	\$ 21,389,389	\$	\$ 386,805,751

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2020**

MCAG No. 1015

	General Fund	General Capital Fund	Roads Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>					
Cash and cash equivalents	\$ 1,445,681	\$ 974,046	\$ 1,405,558	\$ 1,186,405	\$ 5,011,690
Investments	\$ 30,515,405	\$ 7,069,249	\$ 15,029,582	\$ 10,229,901	\$ 62,844,137
Receivables:					
Taxes	\$ 303,874	\$ -	\$ -	\$ 46,766	\$ 350,641
Accounts	\$ 2,273,766	\$ 177	\$ 239,159	\$ 24,052	\$ 2,537,154
Interest	\$ 29,047	\$ 6,729	\$ 12,496	\$ 6,569	\$ 54,841
Interfund Loan	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Other Governments	\$ 4,124,498	\$ 2,270,348	\$ 4,883,041	\$ 631,084	\$ 11,908,971
Prepayments	\$ 201,038	\$ 1,298	\$ 13,551	\$ 13,522	\$ 229,409
Notes/Contracts Receivable	\$ 24,471	\$ -	\$ -	\$ -	\$ 24,471
Assets held for resale	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total assets</b>	<b>\$ 38,917,780</b>	<b>\$ 10,321,847</b>	<b>\$ 21,583,388</b>	<b>\$ 12,138,299</b>	<b>\$ 82,961,315</b>
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	\$ 726,024	\$ 130,616	\$ 760,464	\$ 29,642	\$ 1,646,747
Salaries, Taxes & Benefits Payable	\$ 210,373	\$ 1,623	\$ (23,297)	\$ 58,108	\$ 246,807
Retainage Payable	\$ 86,779	\$ 6,894	\$ -	\$ -	\$ 93,673
Unearned Revenues	\$ 1,512,720	\$ -	\$ 479,332	\$ 306,613	\$ 2,298,666
Deposits	\$ 578,360	\$ 332	\$ 45,583	\$ 3,207	\$ 627,481
Interfund Loan Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	\$ 1,438,307	\$ 900	\$ 13,165	\$ 12,314	\$ 1,464,685
<b>Total Liabilities</b>	<b>\$ 4,552,562</b>	<b>\$ 140,365</b>	<b>\$ 1,275,247</b>	<b>\$ 409,885</b>	<b>\$ 6,378,058</b>
Deferred Inflows of Resources					
Deferred inflows - Other	\$ 2,381,316	\$ -	\$ -	\$ -	\$ 2,381,316
Deferred inflows - Grants	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Deferred Inflows</b>	<b>\$ 2,381,316</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,381,316</b>
<b>Fund Balances:</b>					
Nonspendable	\$ 201,038	\$ 1,298	\$ 13,551	\$ 13,522	\$ 229,409
Restricted	\$ -	\$ 7,896,562	\$ 13,194,482	\$ 10,251,302	\$ 31,342,345
Committed	\$ 9,759,206	\$ -	\$ -	\$ -	\$ 9,759,206
Assigned	\$ 6,865,063	\$ 2,283,623	\$ 7,100,108	\$ 1,463,590	\$ 17,712,384
Unassigned	\$ 15,158,596	\$ 0	\$ 0	\$ -	\$ 15,158,596
<b>Total Fund Balances</b>	<b>\$ 31,983,903</b>	<b>\$ 10,181,483</b>	<b>\$ 20,308,141</b>	<b>\$ 11,728,414</b>	<b>\$ 74,201,941</b>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	346,023,714
Deferred outflows related to pension costs are not reported on fund balance sheets	2,153,959
Short-term liabilities not reported including debt payable current year and taking out deferred revenues not allowed	(595,836)
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported as fund liabilities.	(59,998,653)
Deferred inflows related to unamortized balances of deferred charges for refunding are not reported in fund balance sheets	(4,395)
Deferred Inflows for pensions are not reported on fund balance sheets	(1,534,956)
Internal service funds are used by management to charge the costs of fleet management and unemployment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	5,170,588
<b>Net Position of Governmental Activities</b>	<b>\$ 365,416,362</b>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

MCAG No. 1015

<b>REVENUES</b>	<b>General Fund</b>	<b>General Capital</b>	<b>Roads Capital</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Taxes	\$ 33,145,004	\$ 2,010,154	\$ 2,010,154	\$ 4,357,886	\$ 41,523,198
Licenses & Permits	\$ 5,803,450	\$ -	\$ -	\$ -	\$ 5,803,450
Intergovernmental	\$ 7,863,775	\$ 1,999,123	\$ 6,580,334	\$ 1,092,595	\$ 17,535,827
Charges for Services	\$ 1,491,778	\$ -	\$ 1,861,754	\$ 1,405,604	\$ 4,759,136
Fines & Forfeits	\$ 193,825	\$ -	\$ -	\$ -	\$ 193,825
Investment Earnings	\$ 256,905	\$ 76,293	\$ 161,860	\$ 97,721	\$ 592,779
Miscellaneous	\$ 2,480,710	\$ 14,776	\$ 575,927	\$ 9,241	\$ 3,080,654
Total Revenues	<u>\$ 51,235,447</u>	<u>\$ 4,100,346</u>	<u>\$ 11,190,028</u>	<u>\$ 6,963,048</u>	<u>\$ 73,488,869</u>
<b>EXPENDITURES</b>					
Current:					
General Government Services	\$ 11,069,034	\$ 535,243	\$ -	\$ (877,963)	\$ 10,726,313
Public Safety	\$ 16,565,981	\$ 32,170	\$ -	\$ 286	\$ 16,598,438
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation	\$ 3,887,027	\$ -	\$ 1,267,918	\$ 2,424,956	\$ 7,579,901
Natural & Economic Environment	\$ 5,336,282	\$ -	\$ -	\$ -	\$ 5,336,282
Culture & Recreation	\$ 6,094,924	\$ 19,897,409	\$ -	\$ 107,653	\$ 26,099,986
Debt Service:					
Principal	\$ -	\$ -	\$ -	\$ 2,747,000	\$ 2,747,000
Interest and Other Related Costs	\$ -	\$ -	\$ -	\$ 1,199,180	\$ 1,199,180
Capital Expenditures:					
General Government	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -
Economic Environment	\$ -	\$ -	\$ -	\$ -	\$ -
Culture & Recreational	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation	\$ -	\$ -	\$ 8,335,091	\$ -	\$ 8,335,091
Total Expenditures	<u>\$ 42,953,249</u>	<u>\$ 20,464,822</u>	<u>\$ 9,603,009</u>	<u>\$ 5,601,112</u>	<u>\$ 78,622,191</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 8,282,198</u>	<u>\$ (16,364,476)</u>	<u>\$ 1,587,019</u>	<u>\$ 1,361,937</u>	<u>\$ (5,133,322)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
General Obligation Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds on Bonds Issued	\$ -	\$ 25,000,000	\$ -	\$ -	\$ 25,000,000
Refunding Bonds Issued	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on Refunding Bonds Issued	\$ -	\$ -	\$ -	\$ -	\$ -
Payment to Refunded Bond Escrow Agent	\$ -	\$ -	\$ -	\$ (382,667)	\$ (382,667)
Transfers In	\$ 1,473,551	\$ 2,684,989	\$ 1,721,303	\$ 2,942,109	\$ 8,821,953
Transfers Out	\$ (5,964,142)	\$ (694,764)	\$ (154,433)	\$ (702,354)	\$ (7,515,693)
Proceeds from the Sale of Capital Assets	\$ 13,482	\$ -	\$ -	\$ -	\$ 13,482
Insurance Recoveries	\$ 10,626	\$ -	\$ -	\$ 4,831	\$ 15,457
Total other financing sources and uses	<u>\$ (4,466,483)</u>	<u>\$ 26,990,225</u>	<u>\$ 1,566,870</u>	<u>\$ 1,861,919</u>	<u>\$ 25,952,532</u>
<b>SPECIAL ITEMS</b>					
Net Change in Fund Balances	\$ 3,815,716	\$ 10,625,749	\$ 3,153,889	\$ 3,223,856	\$ 20,819,210
Fund balances - beginning	\$ 28,168,187	\$ (444,267)	\$ 17,154,252	\$ 8,504,558	\$ 53,382,731
Fund balances - ending	<u>\$ 31,983,903</u>	<u>\$ 10,181,483</u>	<u>\$ 20,308,141</u>	<u>\$ 11,728,414</u>	<u>\$ 74,201,941</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020**

MCAG No. 1015

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$ 20,819,210
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded/ (were less than) depreciation in the current period.	18,763,286
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of issuance costs, premiums or proceeds, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(22,083,730)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(84,865)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,685,115
Internal service funds are used by management to charge the costs of fleet management, management information systems, and unemployment to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	288,095
<b>Change in net position of governmental activities</b>	<b>\$19,387,111</b>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended December 31, 2020

MCAG No. 1015

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 31,226,218	\$ 31,312,453	\$ 33,145,004	\$ 1,832,551
Licenses & Permits	\$ 4,559,800	\$ 4,559,800	\$ 5,803,450	\$ 1,243,650
Intergovernmental	\$ 4,892,899	\$ 5,358,093	\$ 7,863,775	\$ 2,505,682
Charges for Services	\$ 1,779,367	\$ 1,977,139	\$ 1,491,778	\$ (485,361)
Fines & Forfeits	\$ 404,000	\$ 404,000	\$ 193,825	\$ (210,175)
Investment Earnings	\$ 69,000	\$ 69,000	\$ 256,905	\$ 187,905
Miscellaneous	\$ 915,534	\$ 4,317,088	\$ 2,480,710	\$ (1,836,378)
Total revenues	<u>\$ 43,846,818</u>	<u>\$ 47,997,573</u>	<u>\$ 51,235,447</u>	<u>\$ 3,237,874</u>
<b>EXPENDITURES</b>				
General Government Services	\$ 16,106,285	\$ 20,584,364	\$ 11,069,034	\$ (9,515,330)
Public Safety	\$ 17,740,824	\$ 17,756,522	\$ 16,565,981	\$ (1,190,541)
Utilities	\$ -	\$ -	\$ -	\$ -
Transportation	\$ 3,435,772	\$ 3,738,814	\$ 3,887,027	\$ 148,213
Natural & Economic Environment	\$ 3,934,084	\$ 4,057,000	\$ 5,336,282	\$ 1,279,282
Culture & Recreation	\$ 7,271,173	\$ 7,293,104	\$ 6,094,924	\$ (1,198,180)
Redemption of Gen. L-T Debt	\$ -	\$ -	\$ -	\$ -
Int. & Other Debt Svc Costs	\$ -	\$ -	\$ -	\$ -
Capital Exps - General Government	\$ -	\$ -	\$ -	\$ -
Capital Exps - Public Safety	\$ -	\$ -	\$ -	\$ -
Capital Exps - Economic Environment	\$ -	\$ -	\$ -	\$ -
Capital Exps - Transportation	\$ -	\$ -	\$ -	\$ -
Capital Exps - Culture and Recreation	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ 48,488,138</u>	<u>\$ 53,429,804</u>	<u>\$ 42,953,249</u>	<u>\$ (10,476,555)</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (4,641,320)	\$ (5,432,231)	\$ 8,282,198	\$ 13,714,429
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Street Vacation	\$ -	\$ -	\$ -	\$ -
General Obligation Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Premium on Bonds Issued	\$ -	\$ -	\$ -	\$ -
Transfers In	\$ 1,589,822	\$ 1,473,551	\$ 1,473,551	\$ -
Transfers Out	\$ (2,554,063)	\$ (6,312,490)	\$ (5,964,142)	\$ 348,348
Proceeds from the Sale of Capital Assets	\$ -	\$ 2,450,000	\$ 13,482	\$ (2,436,518)
Insurance Recoveries	\$ 15,000	\$ 15,000	\$ 10,626	\$ (4,374)
Total other financing sources and uses	\$ (949,241)	\$ (2,373,939)	\$ (4,466,483)	\$ (2,092,544)
Net change in fund balances	\$ (5,590,561)	\$ (7,806,170)	\$ 3,815,716	\$ 11,621,886
Fund balances - beginning	\$ 2,324,993	\$ 3,690,186	\$ 28,168,187	\$ 24,478,001
Fund balances - ending	<u>\$ (3,265,568)</u>	<u>\$ (4,115,984)</u>	<u>\$ 31,983,903</u>	<u>\$ 36,099,887</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2020**

MCAG No. 1015

	Business-Type Activities			Governmental Activities
	Surface Water Utility Fund	Wastewater Utility Fund	Total Enterprise Funds	Internal Service Funds
<b>ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>				
Current Unrestricted Assets:				
Cash and cash equivalents	\$ 527,953	\$ 291,042	\$ 818,995	\$ 122,877
Investments	\$ 4,413,538	\$ 55,643	\$ 4,469,181	\$ 3,339,870
Receivables				
Accounts	\$ 222,360	\$ -	\$ 222,360	\$ -
Interest	\$ 4,201	\$ 53	\$ 4,254	\$ 3,179
Due from Other Governments	\$ 276,557	\$ -	\$ 276,557	\$ -
Prepayments	\$ 25,407	\$ 18,585	\$ 43,993	\$ 6,157
Total Current Unrestricted Assets	\$ 5,470,016	\$ 365,323	\$ 5,835,339	\$ 3,472,083
Current restricted assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total Current restricted assets	\$ -	\$ -	\$ -	\$ -
Total Current assets	\$ 5,470,016	\$ 365,323	\$ 5,835,339	\$ 3,472,083
Noncurrent Unrestricted Assets:				
Interfund Loan Receivable	\$ -	\$ -	\$ -	\$ -
Capital assets not being depreciated:				
Land	\$ 23,632	\$ -	\$ 23,632	\$ -
Construction in Progress	\$ 3,363,110	\$ -	\$ 3,363,110	\$ -
Capital assets being depreciated:				
Buildings	\$ -	\$ -	\$ -	\$ -
Improvements other than buildings	\$ 359,936	\$ -	\$ 359,936	\$ -
Machinery & Equipment	\$ 26,706	\$ 992,307	\$ 1,019,013	\$ 1,745,158
Infrastructure	\$ 14,711,589	\$ -	\$ 14,711,589	\$ -
Total capital Assets (net)	\$ 18,484,974	\$ 992,307	\$ 19,477,280	\$ 1,745,158
Total Noncurrent Unrestricted Assets	\$ 18,484,974	\$ 992,307	\$ 19,477,280	\$ 1,745,158
<b>TOTAL ASSETS</b>	<b>\$ 23,954,990</b>	<b>\$ 1,357,630</b>	<b>\$ 25,312,619</b>	<b>\$ 5,217,242</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>				
Deferred Outflows - Pension	\$ 190,640	\$ 131,596	\$ 322,236	\$ -
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 593,026	\$ 44,094	\$ 637,120	\$ 16,392
Salaries, Taxes & Benefits Payable	\$ 44,368	\$ 20,439	\$ 64,807	\$ 1,992
Public Works Trust Fund Loan Payable	\$ 326,475	\$ -	\$ 326,475	\$ -
2016 Revenue Bonds Payable	\$ 172,476	\$ -	\$ 172,476	\$ -
Interest Payable	\$ 3,820	\$ 5,159	\$ 8,979	\$ -
Retainage Payable	\$ 1,424	\$ -	\$ 1,424	\$ -
Unearned Revenues	\$ -	\$ -	\$ -	\$ 898
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	\$ 24,109	\$ 282,993	\$ 307,102	\$ 27,371
Custodial Accounts	\$ -	\$ -	\$ -	\$ -
Total current liabilities	\$ 1,165,698	\$ 352,685	\$ 1,518,383	\$ 46,653
Noncurrent Liabilities:				
Compensated Absences Payable	\$ 131,054	\$ 101,148	\$ 232,201	\$ -
Revenue Bonds Payable	\$ 1,405,438	\$ -	\$ 1,405,438	\$ -
Public Works Trust Fund Loan Payable	\$ -	\$ -	\$ -	\$ -
Net Pension Liability	\$ 430,317	\$ 387,931	\$ 818,248	\$ -
Total noncurrent liabilities	\$ 1,966,809	\$ 489,079	\$ 2,455,887	\$ -
<b>TOTAL LIABILITIES</b>	<b>\$ 3,132,506</b>	<b>\$ 841,764</b>	<b>\$ 3,974,270</b>	<b>\$ 46,653</b>
<b>DEFERRED INFLOWS of RESOURCES</b>				
Deferred Inflows - Pension	\$ 143,155	\$ 128,041	\$ 271,196	\$ -
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 16,580,585	\$ 992,307	\$ 17,572,891	\$ 1,745,158
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 4,289,384	\$ (472,886)	\$ 3,816,498	\$ 3,425,430
<b>TOTAL NET POSITION</b>	<b>\$ 20,869,968</b>	<b>\$ 519,421</b>	<b>\$ 21,389,389</b>	<b>\$ 5,170,588</b>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2020

MCAG No. 1015

	Business-Type Activities			Governmental Activities
	Surface Water Utility Fund	Wastewater Utility Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 7,268,554	\$ 3,484,652	\$ 10,753,206	\$ 1,035,817
Total operating revenues	<u>\$ 7,268,554</u>	<u>\$ 3,484,652</u>	<u>\$ 10,753,206</u>	<u>\$ 1,035,817</u>
<b>OPERATING EXPENSES:</b>				
Administration and General Operations	\$ 3,786,085	\$ 428,759	\$ 4,214,843	\$ 46,824
Maintenance and Operations	\$ 1,022,526	\$ 1,638,164	\$ 2,660,690	\$ 660,793
Depreciation	\$ 466,454	\$ 25,833	\$ 492,286	\$ 286,009
Total operating expenses	<u>\$ 5,275,064</u>	<u>\$ 2,092,755</u>	<u>\$ 7,367,820</u>	<u>\$ 993,626</u>
Operating income	<u>\$ 1,993,489</u>	<u>\$ 1,391,897</u>	<u>\$ 3,385,386</u>	<u>\$ 42,191</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 47,546	\$ 1,216	\$ 48,762	\$ 33,350
Miscellaneous	\$ 14,061	\$ -	\$ 14,061	\$ -
Interest and Other Related Costs	\$ (49,370)	\$ -	\$ (49,370)	\$ -
Intergovernmental	\$ 267,062	\$ -	\$ 267,062	\$ -
Total Nonoperating revenues (expenses)	<u>\$ 279,299</u>	<u>\$ 1,216</u>	<u>\$ 280,515</u>	<u>\$ 33,350</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>\$ 2,272,788</u>	<u>\$ 1,393,113</u>	<u>\$ 3,665,901</u>	<u>\$ 75,540</u>
Capital Contributions - Other Governments	\$ -	\$ -	\$ -	\$ -
Gain/(Loss) from Sale of Capital Assets	\$ -	\$ -	\$ -	\$ 7,836
Insurance Recovery	\$ 2,131	\$ -	\$ 2,131	\$ -
Transfers In	\$ -	\$ -	\$ -	\$ 204,718
Transfers Out	\$ (1,073,650)	\$ (437,328)	\$ (1,510,978)	\$ -
Special/Extraordinary Items	\$ -	\$ -	\$ -	\$ -
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,201,269</u>	<u>\$ 955,785</u>	<u>\$ 2,157,054</u>	<u>\$ 288,095</u>
<b>NET POSITION</b>				
Total unassigned net position - beginning	\$ 19,668,699	\$ (436,364)	\$ 19,232,335	\$ 4,882,494
Total unassigned net position - ending	<u>\$ 20,869,968</u>	<u>\$ 519,421</u>	<u>\$ 21,389,389</u>	<u>\$ 5,170,588</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

MCAG No. 1015

	Business-Type Activities			Governmental Activities
	Surface Water Utility Fund	Wastewater Utility Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$7,269,107	\$3,643,730	\$10,912,837	
Receipts from interfund services provided			-	\$1,035,817
Payments to suppliers	(2,433,917)	(402,128)	(2,836,045)	(376,415)
Payments to employees	(1,778,532)	(1,750,189)	(3,528,721)	(331,913)
Payments for interfund services used	(248,009)	(52,026)	(300,035)	
Net cash provided by operating activities	<u>2,808,649</u>	<u>1,439,387</u>	<u>4,248,036</u>	<u>327,489</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants	22,718		22,718	
Transfers from other funds			-	9,231
Transfers to other funds	(483,337)	(437,328)	(920,665)	
Insurance recovery	2,131		2,131	
Miscellaneous revenues	14,061		14,061	
Net cash provided (used) by noncapital activities	<u>(444,427)</u>	<u>(437,328)</u>	<u>(881,755)</u>	<u>9,231</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	300,000		300,000	
Capital grants	303,891		303,891	
Acquisition and construction of capital assets	(1,083,655)	(854,296)	(1,937,951)	(223,605)
Principal paid on capital debt	(828,814)		(828,814)	
Interest paid on capital debt	(50,611)		(50,611)	
Transfers from other funds			-	195,487
Transfers to other funds	(590,313)		(590,313)	
Proceeds from sale of capital assets			-	7,836
Net cash provided (used) by capital and related financing a	<u>(1,949,501)</u>	<u>(854,296)</u>	<u>(2,803,798)</u>	<u>(20,282)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of investment income	49,608	1,407	51,016	34,856
Proceeds from the sale of investments	10,170,380	681,312	10,851,692	6,801,670
Purchase of investments	(10,724,988)	(597,021)	(11,322,009)	(7,098,851)
Net cash provided by investing activities	<u>(505,000)</u>	<u>85,698</u>	<u>(419,302)</u>	<u>(262,324)</u>
Net increase (decrease) in cash and cash equivalents	(90,279)	233,461	143,182	54,114
Cash and cash equivalents, January 1	<u>618,233</u>	<u>57,581</u>	<u>675,813</u>	<u>68,763</u>
Cash and cash equivalents, December 31	<u><u>527,953</u></u>	<u><u>291,042</u></u>	<u><u>818,995</u></u>	<u><u>122,877</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating Income (Loss)	<u>1,993,489</u>	<u>1,391,897</u>	<u>3,385,386</u>	<u>42,191</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation expense	466,454	25,833	492,286	286,009
(Increase) Decrease in accounts receivable	(56,601)		(56,601)	
(Increase) Decrease in due from other government	57,155		57,155	
(Increase) Decrease in prepaids	(4,390)	2,272	(2,118)	(3,139)
(Increase) Decrease in deferred outflows - pension	(32,367)	(13,153)	(45,520)	
Increase (Decrease) in wages and benefits payable	(21,911)	(39,347)	(61,258)	(7,743)
Increase (Decrease) in accounts payable	347,735	20,271	368,006	8,863
Increase (Decrease) in intergovernmental payables	16,468	164,567	181,034	1,307
Increase (Decrease) in compensated absences payable	61,882	7,464	69,346	
Increase (Decrease) in net pension liability	54,718	(16,854)	37,864	
Increase (Decrease) in deferred inflows - pension	(73,982)	(103,562)	(177,544)	
Total adjustments	<u>815,160</u>	<u>47,490</u>	<u>862,650</u>	<u>285,298</u>
Net cash provided by operating activities	<u><u>\$2,808,649</u></u>	<u><u>\$1,439,387</u></u>	<u><u>\$4,248,036</u></u>	<u><u>\$327,489</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SHORELINE, WASHINGTON  
STATEMENT OF NET POSITION

FIDUCIARY FUNDS  
DECEMBER 31, 2020

MCAG No. 1015

	<u><u>CUSTODIAL FUND</u></u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 591,337
<b>TOTAL ASSETS</b>	<u>\$ 591,337</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ -
Deposits	\$ -
Due to Other Governments	\$ 591,337
<b>TOTAL LIABILITIES</b>	<u>\$ 591,337</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CITY OF SHORELINE  
STATEMENT OF CHANGES IN NET POSITION  
FUDICIARY FUNDS  
For the Year Ended December 31, 2020**

MCAG No. 1015

	<b>CUSTODIAL FUND</b>
<b>ADDITIONS</b>	
Total Additions	\$ -
<b>DEDUCTIONS</b>	
Total Deductions	\$ -
<b>CHANGE IN NET POSITION</b>	\$ -
<b>NET POSITION</b>	
Total net position - beginning	\$ -
Total unassigned net position - ending	\$ -

The accompanying notes are an integral part of this statement.

## **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Shoreline have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

### **A. REPORTING ENTITY**

The City of Shoreline was incorporated on August 31, 1995 and operates under the laws of the state of Washington applicable to a non-charter code city with a Council-Manager form of government. Shoreline is administered by a City Manager and a seven member City Council, with one of its members serving as Mayor. The City's major operations are as authorized under the laws of the State of Washington applicable to a non-charter code city.

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The City's policy is not to allocate indirect costs to a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The financial statements for governmental funds are prepared using the current resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, when they are both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by deferred inflows of resources. The City considers property taxes collected within 60 days of year end to be available. Intergovernmental revenues received as reimbursement for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues and recreation revenues received but not earned are recorded as unearned revenues. Franchise fees, licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued when earned.

Retail Sales and Use Taxes and Business and Occupation Taxes: Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds, requires that revenues from taxpayer-assessed taxes such as sales taxes, net of estimated refunds, should be recognized in the accounting period in which they become susceptible to

accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to the long-term portion of compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's operating fund. It accounts for all financial resources and transactions of the general government except those required to be accounted or elected to be accounted for in another fund. Major resources include property tax, sales tax, utility tax and franchise fees, gambling tax, licenses and permits, charges for services and intergovernmental revenue. Major programs include public safety (police, prosecuting attorney, jail housing, permitting, building inspection, and code enforcement), general governmental services (finance, legal, human resources, and facilities), culture and recreation (parks and recreation), natural and economic environment (economic development, planning, and environmental services).

General Capital Improvement Fund

This fund receives resources designated specifically for capital purposes such as proceeds from the 2006 General Obligation Bond and the 2013 Limited Tax General Obligation Bond as well as real estate excise tax. Projects in the General Capital Fund are divided into two major categories: facilities projects and parks projects.

Roads Capital Improvement Fund

This fund receives resources designated specifically for transportation related capital purposes such as funding from the TBD, real estate excise tax, capital grants, and support from the General Fund. Projects in the Roads Capital Fund are divided into three major categories: pedestrian/non-motorized projects, system preservation projects, and safety/operational projects.

The City reports the following major proprietary funds:

Surface Water Utility Enterprise Fund

This fund accounts for the resources received and expenses required for the operations of the City's surface water utility and construction of capital facilities. The primary revenue source for this fund is a storm drainage fee which is assessed annually against both residential and commercial properties.

Wastewater Utility Fund

This fund accounts for the resources received and a portion of the expenses required for the Ronald Wastewater District utility. The primary revenue source is fees for services paid by the Ronald Wastewater District to the City for operating of the wastewater utility. See Note 15 Related Party Transactions, for more detailed information on the arrangement entered into by the City.

Additionally, the City reports the following fund types:

Debt Service Funds account for the accumulation of resources for the payment of general obligation bond principal, interest and related costs.

Internal Service Funds account for equipment rental and fleet management provided to other departments of the City on a cost reimbursement basis. Also included is the management of unemployment related costs which is solely funded by the General Fund and is not charged on a reimbursement basis.

A Custodial Fund is used to account for the collection of state sales tax and other fees of the State of Washington for other special districts.

As a general rule the effect of interfund activity has been eliminated from the Government-Wide Financial Statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the surface water utility fund are surface water utility fees. The primary operating revenues of the internal service funds are interfund charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first when possible, then to use unrestricted resources as needed.

## **D. BUDGETARY INFORMATION**

### **1. Budgetary Basis of Accounting**

2019 was the first year for which the City's Budget was based upon a Biennium Budget, for the years 2019 – 2020. Biennial appropriated budgets are adopted for the general, special revenue, debt service, internal service, and proprietary funds on the modified accrual basis of accounting and constitute the legal authority for expenditures. The appropriated budget is prepared by fund, and while each department and year has a budget plan, the expenditure appropriation is at the fund level for the biennium. Appropriations in all budgeted funds lapse at the end of the biennium even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments).

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at the end of the biennium, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

### **2. Amending the Budget**

The City Manager is authorized to transfer budgeted amounts between departments within any fund; 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 Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year based on the annual budget plan.

The financial statements contain the original and final budget information for the General Fund based on the budget plan. The original budget is the budget plan for 2020 as included in the first biennial budget appropriation. The final budget is the original budget plan adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the 2020 fiscal year.

### **3. Deficit Fund Net Position**

During 2020, the General Capital Projects Fund's 2019 net fund deficit of \$444,267 was eliminated. The \$25,000,000 2020 Bond Anticipation Note issuance was instrumental in its elimination. During 2020, the Wastewater Utility Fund's 2019 net position deficit of \$436,364 was eliminated with fund revenues significantly exceeding expenses during the year, due to capital outlay reimbursements.

## **E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND EQUITIES**

### **1. Cash and Cash Equivalents**

As of December 31, 2020, the City was holding \$6,544,899 in cash and cash equivalents, of which \$591,337 belonged to the Custodial Fund. The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2020 were approximately \$7,033,805.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash held in the City's bank accounts, petty cash, and change accounts and are therefore included as cash equivalents.

### **2. Investments (See Note 2 *Deposits and Investments*)**

### **3. Receivables**

Taxes Receivable consist of property taxes, surface water utility taxes, and related interest and penalties (see Note 3 *Property Taxes*). Accrued Interest Receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer Accounts Receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods or services rendered and for taxes due to the City.

### **4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. An interfund loan was issued in 2018, totaling \$2,100,000. It was due from the General Capital Projects Fund to the General Fund. An additional interfund loan was issued in 2020, totaling \$17,200,000. It was due from the General Capital Projects Fund to the General Fund and the Roads Capital Fund. Both interfund loans were paid off during 2020. All other outstanding balances between funds are reported as due to/from other funds. Additional information regarding interfund loans is disclosed in Note 12, Interfund Receivables, Payables and Transfers.

Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

These accounts include amounts due to or from other governments for grants, entitlements, taxes, and charges for services.

### **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$4,999 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness/efficiency or increase the life of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. With the early implementation of Kew-Forest = Eggsy r r k s w r i v i w s w o r g y w i n f i j s v i d i r h s j s r w x y g r s T i v e h n Interest incurred during the construction phase of the capital assets of business-type activities is no longer included as part of the capitalized value of the assets.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Buildings	20-30
Infrastructure	25-80
Other Improvements	2-50
Vehicles	5-10
Computer Equipment	3-5

See Note 4 *Capital Assets* for additional information.

**6. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**7. Deferred Outflows**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position which applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City recognizes deferred outflows of resources relating to its pension plans.

See Note 6 *Pension Plans*, for additional information.

**8. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation leave or accrued compensatory time. Compensated absence liabilities are reported in the government-wide statements, as well as the proprietary funds.

Vacation leave, which may be accumulated up to 368 hours, is payable upon resignation, retirement or death.

Sick leave accrues at the rate of 8 hours per month and is only payable separation if the employee is eligible for retirement, as defined by the rules and regulations of the Washington State Public Employees Retirement System. In the event an employee qualifies for a sick leave cash-out, the employee is paid for 10% of his accrued but unused sick leave.

## 9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

## 10. Long-Term Debt (See Note 10 – Long-Term Debt and Note 11 - Changes to Changes in Long-Term Liabilities)

## 11. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds. In these instances, the revenue recognition criteria have not been met as discussed in Note 1C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation.*

## 12. Deferred Inflows

In addition to liabilities, the statement of financial position reports a separate section for the deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenues) until that time. Unavailable revenues from prepayments and property taxes are reported as deferred inflows on the governmental fund statements. Only the unavailable revenues from non-property tax sources are included in the government-wide statements. This amount is deferred and recognized as an inflow of resources in the period when the amounts become available. The City also recognizes deferred inflow of resources relating to its pension plans.

See Note 6 *Pension Plans*, for additional information.

## 13. Fund Balance Classifications

The components for reporting the City's fund balances are non-spendable, restricted, committed, assigned and unassigned.

- A. Non-spendable fund balance cannot be spent because it is either not in a spendable form (such as inventory or prepaids) or it is legally or contractually required to remain intact.
- B. Restricted fund balance includes amounts where constraints have been imposed by external parties, including creditors, grantors, and laws and regulations of other governments.
- C. For committed fund balance the government's highest level of decision-making authority is the City Council and a formal action by ordinance, resolution or motion is required to be taken to establish, modify or rescind a fund balance commitment.
- D. For assigned fund balance the City Council assigns amounts to a specific purpose (for example - budgeted use of fund balance) by adopting an ordinance to establish or amend the City's budget.
- E. Unassigned fund balance is any remaining amount after accounting for A-D above.

For the classification of fund balances the government considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City's assumed spending order of fund balances is committed balances first, followed by assigned balances, then finally unassigned amounts.

#### 14. Fund Balance Details

Fund balances in the governmental funds at December 31, 2020 were as follows:

Fund Balance Components	Fund	Details	Amount	Total
Nonspendable Fund Balance	General	Prepaid Expenditures	\$ 201,038	
	General Capital	Prepaid Expenditures	1,298	
	Roads Capital	Prepaid Expenditures	13,551	
	Other Governmental	Prepaid Expenditures	13,522	\$ 229,409
Restricted Fund Balance	General Capital	Restricted for 2013 GO Bond projects	7,896,562	
	Other Governmental	Restricted for police use only	111,594	
	Other Governmental	Restricted for parks	1,016,149	
	Other Governmental	Restricted for 2006 UTGO Bond Payments	6,656	
	Other Governmental	Restricted for transportation	5,283,736	
	Other Governmental	Restricted for sidewalk expansion debt service	3,833,167	
	Roads Capital	Restricted for transportation	13,194,482	31,342,346
Committed Fund Balance	General	Cash Flow Reserve	3,000,000	
	General	Revenue Stabilization	5,626,456	
	General	Budget Contingency/Insurance Reserves	1,126,000	
	General	Imprest Cash	6,750	9,759,206
Assigned Fund Balance	General	Available Fund Balance	6,865,063	
	Other Governmental	Available Fund Balance	1,463,590	
	General Capital	Available Fund Balance	2,283,623	
	Roads Capital	Available Fund Balance	7,100,108	17,712,383
Unassigned	General	Remaining Fund Balance	15,158,597	15,158,597
<b>Total Fund Balances</b>			<b>\$ 74,201,941</b>	<b>\$ 74,201,941</b>

#### 15. Minimum Fund Balances

The City's Reserve and Fund Balance Policies as adopted by motion of the City Council include the following provisions.

##### General Fund Operating Reserves

The City shall maintain a General Fund Operating Reserve to provide adequate cash flow, budget contingencies, and insurance reserves. The General Fund Operating Reserves will be determined as follows:

1. Cash Flow Reserve: The City shall maintain a cash flow reserve within the General Fund in an amount equal to \$3,000,000. The City will review annually the required cash flow reserve level that is necessary to meet the City's cash flow needs. If it is determined that \$3,000,000 is not adequate, the Finance Director shall propose an amendment to these policies.
2. Revenue Stabilization Reserve: The City shall maintain a revenue stabilization reserve of \$5,626,456 equal to thirty percent (30%) of annual economically sensitive revenues within the City's operating budget to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods.
3. Budget Contingency: The City shall maintain a budget contingency reserve within the General Fund equal to 2% of budgeted operating revenues.
4. Insurance Deductible Reserve: The City shall maintain an insurance reserve within the General Fund to be used for potential substantial events that cause damage to the City's fixed assets and/or infrastructure.

##### Equipment and Vehicle Replacement Reserves

The City will maintain fully funded reserves for the replacement of vehicles, computer equipment, and other equipment identified on the City's fixed asset listing. Contributions will be made through assessments to the using funds and maintained on a per asset basis.

##### City Street Fund Reserves

The City shall maintain an operating reserve within the City's Street Fund an amount equal to 20% of annually budgeted operating revenues.

Surface Water Utility Fund Reserves

The City shall maintain an operating reserve within the Surface Water Utility Fund of an amount equal to no less than 20% of budgeted operating revenues.

**Note 2 - DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

At December 31, 2020, cash on hand was \$5,953,562, excluding \$591,337 on hand for the Custodial Fund. The carrying amount of the City's deposits was \$6,538,149 and the bank balance was \$7,479,968.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The city deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**B. INVESTMENTS**

Interest Rate Risk: Interest rate risk is the risk the city may face should interest rate variances affect the fair value of investments. The city does not have a formal policy that addresses interest rate risk.

Investment Type	Fair Value	Maturities Less Than 1 Year	Maturities 1 to 3 Years
U.S. Treasuries	\$ 8,076,338	\$ 8,076,338	\$ -
U.S. Agencies	8,173,286	8,173,286	-
Total	\$ 16,249,624	\$ 16,249,624	\$ -

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The city does not have a formal policy that addresses credit risk.

Investment Type	Fair Value	Aaa
U.S. Treasuries	\$ 8,076,338	\$ 8,076,338
U.S. Agencies	8,173,286	8,173,286
Total	\$ 16,249,624	\$ 16,249,624

Rating agency: Moody's

**Investments in Local Government Investment Pool (LGIP)**

The city is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

<http://www.tre.wa.gov>.

As of December 31, 2020, the City's investment in the LGIP totaled of \$54,403,564.

**Investments Measured at Fair Value**

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- a. Level 1: Quoted prices in active markets for identical assets or liabilities.
- b. Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- c. Level 3: Unobservable inputs for an asset or liability.

At December 31, 2020, the City had the following investments measured at fair value:

Investments by Fair Value Levels	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Agency Obligations	\$ 8,173,286	\$ 8,173,286		
Federal Treasury Obligations	8,076,338	8,076,338		
Total Investments by Fair Value Level	\$ 16,249,624	\$ 16,249,624	\$ -	\$ -

**Summary of Deposit and Investment Balances**

Reconciliation of city's deposits and investment balances as of December 31, 2020, is as follows:

	Government Wide	Custodial Fund
Cash on Hand	\$ 5,953,562	\$ 591,337
Deposits in State LGIP	54,403,564	
Non-Pooled Investments	16,249,624	
Total Deposits and Investments	\$ 76,606,750	\$ 591,337

**Note 3 - PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills start being mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property is established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services.

The City's regular levy for 2020 was \$1.19583 per \$1,000 on an assessed valuation of \$11,637,220,592 for a total regular levy of \$13,916,138.

The Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Special levies approved by the voters are not subject to the limitations listed above. In 2020, the City levied an additional \$0.14672 per \$1,000 for a total additional levy of \$1,694,882 towards repayment of the 2016.

General Obligation bonds which refunded the 2006 General Obligation bonds issued for open space and the construction of park and trail improvements.

**Note 4 – CAPITAL ASSETS AND DEPRECIATION**

A. Capital asset activity for the year ended December 31, 2020 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance 01/01/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/20</b>
Capital Assets, not being depreciated:				
Land	135,541,662	15,947,399	-	151,489,061
Construction in Progress	2,643,144	8,351,409	(498,252)	10,496,302
Total Capital Assets, not being depreciated:	138,184,806	24,298,809	(498,252)	161,985,363
Capital Assets, being depreciated:				
Buildings	48,625,695	3,602,606	-	52,228,301
Improvements other than buildings	22,828,761	187,108	-	23,015,869
Machinery and equipment	5,515,853	567,432	(81,842)	6,001,443
Infrastructure	267,179,630	-	-	267,179,630
Total Capital Assets, being depreciated:	344,149,939	4,357,146	(81,842)	348,425,243
Less Accumulated Depreciation for:				
Buildings	(18,267,156)	(1,539,779)	-	(19,806,935)
Improvements other than buildings	(10,060,597)	(904,942)	-	(10,965,539)
Machinery and equipment	(2,632,544)	(411,014)	80,165	(2,963,392)
Infrastructure	(122,306,458)	(6,599,409)	-	(128,905,866)
Total Accumulated Depreciation	(153,266,754)	(9,455,143)	80,165	(162,641,731)
Total Capital Assets, being depreciated, net	190,883,185	(5,097,997)	(1,677)	185,783,512
Governmental Activities Capital Assets, net	329,067,991	19,200,811	(499,929)	347,768,875

<b>Business-Type Activities</b>	<b>Beginning Balance 01/01/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/20</b>
Capital Assets, not being depreciated:				
Land	23,632	-	-	23,632
Construction in Progress	2,279,455	1,083,655	-	3,363,110
Total Capital Assets, not being depreciated:	2,303,088	1,083,655	-	3,386,742
Capital Assets, being depreciated:				
Improvements other than buildings	399,929	-	-	399,929
Machinery and equipment	401,333	854,296	-	1,255,630
Infrastructure	22,087,854	-	-	22,087,854
Total Capital Assets, being depreciated:	22,889,116	854,296	-	23,743,413
Less Accumulated Depreciation for:				
Improvements other than buildings	(31,994)	(7,999)	-	(39,993)
Machinery and equipment	(204,758)	(31,859)	-	(236,617)
Infrastructure	(6,923,836)	(452,428)	-	(7,376,265)
Total Accumulated Depreciation	(7,160,589)	(492,286)	-	(7,652,875)
Total Capital Assets, being depreciated, net	15,728,527	362,010	-	16,090,538
Business-type activities Capital Assets, net	18,031,615	1,445,665	-	19,477,280

The City's infrastructure assets consist of roads, bridges, sidewalks, trails, storm drainage facilities, and signal lights. The City's infrastructure assets were valued and depreciated in accordance with GASB Statement No. 34.

**B.** Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	1,137,823
Public Safety	274,121
Transportation	6,528,084
Culture & Recreational	1,229,106
Capital assets held by the City's internal service funds funds are charged to the various functions based on their usage of the assets	286,009
<b>Total Depreciation - Governmental Activities</b>	<b>9,455,143</b>
<b>Business-Type Activities</b>	
Surface Water Utility	492,286
<b>Total Depreciation - Business-Type Activities</b>	<b>492,286</b>

**Note 5 – OTHER RESTRICTED NET POSITION**

The government-wide statement of net position reported \$20,218,177 in restricted net position, of which \$20,218,177 is restricted by enabling legislation.

## Note 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	(\$5,429,646)
Pension assets	
Deferred outflows of resources	2,506,427
Deferred inflows of resources	(1,806,152)
Pension expense/expenditures	\$165,605

### **State Sponsored Pension Plans**

Substantially all of the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State 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.

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

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

### **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

#### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan

1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

The City's actual PERS plan contributions were \$840,453 to PERS Plan 1 and \$1,359,343 to PERS Plan 2/3 for the year ended December 31, 2020.

#### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

#### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

#### **Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

### Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share\* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$4,659,807	\$3,720,236	\$2,900,833
PERS 2/3	10,636,405	1,709,410	(\$5,641,976)
Total	\$15,296,212	\$5,429,646	(\$2,741,142)

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the City reported a total pension liability of \$5,429,646 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$3,720,236
PERS 2/3	1,709,410
Total	\$5,429,646

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.113653%	0.105373%	(0.008280%)
PERS 2/3	0.143868%	0.133658%	(0.010210%)
Total	0.257521%	0.239031%	(0.018490%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans reported on.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2020, the City recognized pension expense as follows:

	Pension Expense
PERS 1	(\$152,738)
PERS 2/3	318,343
TOTAL	\$165,605

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(\$20,713)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$430,331	
<b>TOTAL</b>	<b>\$430,331</b>	<b>(\$20,713)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$611,944	(\$214,230)
Net difference between projected and actual investment earnings on pension plan investments		(86,813)
Changes of assumptions	24,347	(1,167,675)
Changes in proportion and differences between contributions and proportionate share of contributions	771,863	(316,721)
Contributions subsequent to the measurement date	667,943	
<b>TOTAL</b>	<b>\$2,076,096</b>	<b>(\$1,785,435)</b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2021	(\$93,995)
2022	(2,956)
2023	28,681
2024	47,558
2025	
Thereafter	
<b>Total</b>	<b>(\$20,713)</b>

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2021	(\$587,601)
2022	(47,846)
2023	152,084
2024	221,191
2025	(2,649)
Thereafter	(112,404)
<b>Total</b>	<b>(\$377,285)</b>

**Note 7 – LOCAL GOVERNMENT PENSION TRUST FUND PLANS**

The City established a Money Purchase Retirement Plan and Trust under Internal Revenue Code Section 401(a) effective April 1996. This is a defined contribution plan, which was established in lieu of participation by the City in the Social Security system. Plan assets are held with TIAA-CREF, the current plan provider.

Under this plan, employees contribute 6.2%. The City also contributes 6.2% into the employee account. Participation in this plan is mandatory. Employee and employer contributions are vested immediately. The City contributed \$1,093,511 for the current year; the amount recognized as a pension expense for the period.

Each employee may direct his/her investment among various investment options. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age.

The City also established a Money Purchase Retirement Plan and Trust in 1997 with the ICMA Retirement Corporation, as an alternative to the Washington State Public Employees Retirement System Plan II. The only employee eligible to participate in this plan is a former City Manager.

As of December 31, 2020, the assets in the TIAA-CREF Money Purchase Plans were valued at \$37,729,928.

**Note 8 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

**A. SIGNIFICANT CONSTRUCTION COMMITMENTS:**

None

**B. OTHER SIGNIFICANT COMMITMENTS:**

The City requires architectural, engineering, and other professional services to plan and manage its current and future construction projects. Below is a listing of the City’s significant commitments for professional services for active and future projects:

Project	Spent to Date	Remaining Commitment
Parks and Public Works: Identification of Real Property for Acquisition and Relocation Services	\$ 195,446	\$ 818,554
145th St Corridor Improvements	2,118,318	1,465,432
N 175th St - Stone Ave N to I-5	1,011,635	472,189
SR-523 and I-5 Interchange	1,459,283	665,652
New Sidewalks 5th Avenue (175th - 182nd Streets)	143,665	446,446
Transportation Master Plan	56,104	492,577
25 <sup>th</sup> Ave NE Flood Reduction Improvements	453,842	384,216
Pump Stations	262,369	483,099
10th Avenue NE Drainage Improvements	\$ 55,358	\$ 332,466

**Note 9 – LEASES**

During 2020, the City continued to lease property to the one remaining tenant of the Highland Park Center originally purchased for the completed City Hall expansion. The tenant has a month-to-month lease with a monthly rent of \$5,182.

During 2020, the City continued to lease parking space to the United States Postal Service (USPS), at the North Maintenance Facility site at a monthly rate of \$2,400. The USPS has an option to renew the lease.

During 2020, the City leased parking space from Walgreen’s for City vehicles for a total cost of \$7,392. This operating lease allows the City or the lessor to cancel the lease. The City also leased approximately 2 acres of vacant land at the southeast section of the Fircrest Campus from the Washington State Department of Social and Health Services to use as an off-leash dog area and associated parking. The annual cost of this lease was \$7,200.

During 2019, the City entered into a partial year lease agreement with the Ronald Wastewater District to lease office and equipment parking space to house the landscaping crew. The city retained the right to extend the lease into 2020. The monthly lease of \$1,900 was terminated at the end of April 2020. This lease qualifies as a related party transaction. See note 15 for additional related party disclosures.

**Note 10 - LONG-TERM DEBT**

A. Long-Term Debt

In 2018, the City implemented GASBS No. 86, Certain Debt Extinguishment Issues and GASBS No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which expanded the City's debt disclosures.

The City issues general obligation and revenue bonds to finance the acquisition or construction of land, buildings, improvements, infrastructure, and the purchase of equipment. Bonded indebtedness has also been entered into, in prior years, to advance refund general government activities and is being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

General obligation bonds currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2020
Limited Tax General Obligation Bonds, 2019 Series A (Refunding 2009 General Obligation Build America Bonds)- City Hall	2039	2.50 - 5.00%	\$ 15,490,000	\$ 15,015,000
Limited Tax General Obligation Bonds, 2019 Series B - Sidewalk Prioritization Project	2034	3.00 - 5.00%	10,000,000	9,530,000
Total			\$ 25,490,000	\$ 24,545,000

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31, 2020	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,010,000	\$ 988,644		
2022	1,060,000	938,143		
2023	1,110,000	885,144		
2024	1,170,000	829,643		
2025	1,215,000	776,944		
2026 - 2030	7,020,000	2,967,969		
2031 - 2035	7,850,000	1,243,019		
2036 - 2040	4,110,000	278,325		
Total	\$ 24,545,000	\$ 8,907,831	\$ -	\$ -

General obligation bond direct placements currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2020
Limited Tax General Obligation Bonds, 2013 - Maintenance Facility	2033	3.75%	\$ 3,565,000	\$ 2,620,000
Unlimited Tax General Obligation Bonds, 2016 Refunding- Parks and Open Space	2021	1.02% - 1.72%	7,595,000	1,113,000
Total			\$ 11,160,000	\$ 3,733,000

The annual debt service requirements to maturity for general obligation bond direct placements are as follows:

Year Ending December 31, 2020	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,273,000	\$ 117,394		
2022	165,000	92,250		
2023	170,000	86,063		
2024	180,000	79,688		
2025	185,000	72,937		
2026 - 2030	1,040,000	254,812		
2031 - 2035	720,000	54,750		
Total	\$ 3,733,000	\$ 757,894	\$ -	\$ -

In February of 2020, the City issued a taxable limited tax obligation Bond Anticipation Note (BANs) in order to provide interim financing for the acquisition of property for park and recreation purposes, other capital expenditures described in the City's Parks, Recreation & Open Space Plan, and to pay costs of issuance for the note.

General obligation BANs currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2020
Limited Tax General Obligation Bond Anticipation Notes, 2020 (Taxable) - Property Acquisition for Park and Recreation	2022	1.92%	\$ 25,000,000	\$ 25,000,000
Total			\$ 25,000,000	\$ 25,000,000

The annual debt service requirements to maturity for general obligation BANs are as follows:

Year Ending December 31, 2020	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ 480,000		
2022	25,000,000	480,000		
Total	\$ 25,000,000	\$ 960,000	\$ -	\$ -

In December of 2018, the City issued a direct placement revenue bond for \$4,700,000, with terms allowing for draw down of funds over a two-year period. During 2020, the drawdown period was extended into 2021. The City drew down \$800,000 of this amount prior to the 2020 year-end, leaving available \$3,900,000 to be drawn down in 2021. The terms of the agreement stipulate a minimum amount of \$100,000 per draw down.

Direct placement revenue bonds currently outstanding are as follows:

Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding 12/31/2020
Surface Water Utility Revenue Bonds, 2016 - Various Surface Water Utility Projects	2031	2.23%	\$ 2,000,000	\$ 1,529,678
Surface Water Utility Revenue Bonds, 2018 - Various Surface Water Utility Projects (\$4.7M Bond with draw provisions)	2033	3.35%	800,000	48,236
Total			\$ 2,800,000	\$ 1,577,914

The annual debt service requirements to maturity for direct placement revenue bonds are as follows:

Year Ending December 31, 2020	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021			\$ 172,476	\$ 34,951
2022			127,010	31,341
2023			129,842	28,509
2024			132,738	25,614
2025			135,698	22,653
2026 - 2030			725,253	66,504
2031 - 2035			154,897	3,454
Total	\$ -	\$ -	\$ 1,577,914	\$ 213,026

During calendar year 2001, the City entered into two long-term loan agreements with the Washington State Department of Community, Trade and Economic Development. The loans are to provide financing for two individual surface water capital improvement projects in the Surface Water Utility Fund, are administered through the Washington State Public Works Board, and are commonly referred to as Public Works Trust Fund Loans. These loans will be repaid from surface water utility fees.

Public Works Trust Fund Loans currently outstanding are as follows:

Issue Name	Amount Borrowed	Annual Installments	Final Maturity	Effective Rate	Outstanding 12/31/20
State of WA Public Works Trust Fund Loans:					
Third Avenue Drainage Improvements	\$ 1,959,500	\$ 114,213	2021	0.50%	\$ 114,213
Ronald Bog Sub Basin Improvements	3,852,725	212,262	2021	0.50%	212,262
Total	\$ 5,812,225	\$ 326,475			\$ 326,475

The annual debt service requirements to maturity for the Public Works Trust Fund Loan debt are as follows:

Year Ending December 31, 2020	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021			326,475	1,632
Total	\$ -	\$ -	\$ 326,475	\$ 1,632

In proprietary funds, any unamortized debt issue costs for issuance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by the amortization of debt premiums and increased by the amortization of debt issuance costs and discounts. As of December 31, 2020, the proprietary funds had no unamortized debt issue costs, premiums or discounts.

At December 31, 2020, the City had cash and investments of \$3,776,510 available in the debt service funds to service the general bonded debt; no reserve requirements are stipulated by these bonds. Restricted assets in the proprietary fund contain \$0 in sinking funds and reserves, as no sinking funds or reserves are required by bond indentures.

The City has pledged future surface water revenues and ULID assessments, net of expenses, to pay \$1,529,678 and \$48,236 in revenue bonds issued in 2016 and 2018, respectively. Proceeds from the bonds provided financing for various storm water projects. The bonds are payable solely from net revenues of the utility. The 2016 Revenue Bonds are payable through 2031. Once fully drawn down, the 2018 Revenue Bonds will be payable through 2033; currently they are only payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 29% percent of net revenues. Currently, the total principal and interest remaining to be paid on the two bonds is \$1,79,940. Principal and interest paid for revenue bonds the current year and total revenues, net of grant revenues, were \$542,084 and \$7,275,625, respectively.

B. Refunded Debt:

In prior years, the city defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2020, \$18,250,000 of bonds outstanding are considered defeased.

C. Authorized Debt Issuances Not Issued:

In 2019, with Ordinance No. 853, the City Council authorized the issuance of one or more series of limited tax general obligation bonds in the aggregate principal amount of \$42,000,000 related to transportation improvement projects supported by voter approved Transportation Benefit District .2% Sales Tax. This authorization is set to expire December 31, 2029. The \$10,000,000 in 2019B General Obligation bonds issued in 2019 were issued under this authorization, leaving a balance of \$32,000,000 authorized for future issuances.

In 2021, with Ordinance No. 926, the City Council authorized the issuance of one or more series of limited tax general obligation bonds in the aggregate principal amount not to exceed \$8,350,000 to facilitate the delivery of sidewalk rehabilitation, annual road surface maintenance or other transportation improvement projects authorized to be supported by Vehicle License Fee (VLF) revenues. This authorization is set to expire April 6, 2022.

D. Arbitrage:

The City's bonds are subject to federal arbitrage rules which the City is committed to meeting.

E. Terms Specified in Debt Agreements Related to Significant Finance-Related Events:

The terms of the Limited 2013 G.O. Bond stipulates that, in the event of the City's failure to pay bond principal in a timely manner, "...the City shall be obligated to pay interest on the Bond at the same rate provided in the Bond from and after its maturity of date fixed for prepayment until the bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, and the Bond has been called for payment by giving notice of that call to the Registered Owner."

Both the 2016 and 2018 Revenue Bonds stipulate that, in the event the bonds are determined to be taxable, the interest rates will immediately be adjusted upwards. In such an eventuality, the 2016 Revenue Bonds' interest rate would be increased from 2.23% to 3.43%; and the 2018 Revenue Bonds' interest rate would be increased from 3.35% to 4.19%.

Neither the 2019A nor the 2019B G.O. Bonds "are subject to acceleration upon the occurrence of a default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal or of interest on the Bonds, the registered owners would be required to bring a separate action for each such payment not made."

In any event of default on the 2020 Bond Anticipation Notes and "until such time as such event of default has been remedied or waived in writing by the bank, the interest rate on the note shall be increased to the bank's prime rate plus five percentage points (5.0%) and the bank may pursue any other remedies to which it is entitled."

If the rate of interest on the note shall ever exceed the maximum rate allowed by law, such excess interest shall be deferred until such date that the interest rate calculated thereunder ceases to exceed such maximum rate. If there remains any excess interest owed hereunder after termination of the note the City shall pay such interest as a fee to the bank.

**Note 11 – CHANGES IN LONG-TERM LIABILITIES**

Compensated absences and net pension liabilities are also considered long-term liability and represent unpaid vacation, compensated time, eligible sick leave liability and the pension liability of the City. For the governmental activities, compensated absences and net pension liabilities are generally liquidated in the General Fund, Street Fund, General Capital Fund and Roads Capital Fund.

Other Long Term Liabilities	Beginning Balance 01/01/20	Additions	Reductions	Ending Balance 12/31/20
<b>Compensated Absences</b>				
Governmental Activity	\$ 1,059,565	\$ 1,711,166	\$ 1,577,523	\$ 1,193,208
Business-Type Activity	162,855	328,561	259,215	232,201
	1,222,420	2,039,727	1,836,738	1,425,409
<b>Net Pension Liability</b>				
Governmental Activity	4,987,424		376,026	4,611,398
Business-Type Activity	780,384	37,864		818,248
	5,767,808	37,864	376,026	5,429,646
<b>Total</b>	<b>\$ 6,990,228</b>	<b>\$ 2,077,591</b>	<b>\$ 2,212,764</b>	<b>\$ 6,855,055</b>

With the City’s implementation of GASB No. 88, Certain Disclosures Related to Debt, Including Borrowings and Direct Placements, a distinction has been made between public offerings and direct placement debt.

During the year ended December 31, 2020, the following changes occurred in the City’s long-term liabilities:

	Beginning Balance 01/01/20	Additions	Reductions	Ending Balance 12/31/20	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 25,490,000		\$ 945,000	\$ 24,545,000	\$ 1,010,000
General Obligation Bonds - Direct Placement	5,535,000		1,802,000	3,733,000	1,273,000
Bond Anticipation Notes	-	\$ 25,000,000		25,000,000	-
Unamortized Premium	3,395,271		196,223	3,199,048	
Compensated Absences	1,059,565	1,711,166	1,577,523	1,193,208	
Net Pension Liability	4,987,424	-	376,026	4,611,398	
Governmental Activity long-term liabilities	40,467,260	26,711,166	4,896,772	62,281,654	2,283,000
<b>Business-Type Activities:</b>					
Surface Water Utility Bonds - Direct Placement	1,780,254	\$ 300,000	502,340	1,577,914	172,476
Public Works Trust Fund Loans	652,949		326,474	326,475	326,475
Compensated Absences	162,855	328,561	259,215	232,201	
Net Pension Liability	780,384	37,864	-	818,248	
Business-Type Activity long-term liabilities	\$ 3,376,442	\$ 666,425	\$ 1,088,029	\$ 2,954,838	\$ 498,951

**Note 12- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**A. Interfund Receivable/Payable**

In 2018, the City Council approved an interfund loan from the General Fund to the General Capital Fund in an amount not to exceed \$2,100,000. The purpose of the loan was to provide partial interim financing of the Shoreline Police at City Hall Project until the former Police Station could be sold. Originally, the loan was scheduled to be paid no later than April 30, 2019. In light of the delay in selling the former Police Station, the City Council granted an extension on the loan until July 31, 2020. The loan was paid off in 2020.

In 2020, with Resolution No. 452, the City Council approved an interfund loan from General Fund and the Roads Capital Fund to the General Capital Fund in an amount not to exceed \$17,200,000. The General Fund and the Roads Capital Fund provided \$11,000,000 and \$6,200,000, respectively for the purpose of providing interim financing for the acquisition of property for a future Shoreline Aquatics, Recreation and Community Center. With the issuance of the 2020 Bond Anticipation Notes, this interfund loan was paid off in 2020.

**B. Interfund Transfers**

The City's interfund transfers are primarily to support the operations of other funds and are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses." The principal purposes for interfund transfers include interfund subsidies and transfers into debt service and capital project funds.

Interfund transfers at December 31, 2020 were as follows:

Transfer To	Transfer From							Total
	General	General Capital	Roads Capital	Surface Water Utility	Wastewater Utility	Other Governmental		
General Fund		\$24,302	\$104,687	\$656,538	\$437,328	\$250,696	\$1,473,551	
General Capital	\$2,301,883			108,737		274,369	2,684,989	
Roads Capital	1,337,879			300,811		82,613	1,721,303	
Other Governmental	2,221,901	670,462	49,746				2,942,109	
Internal Service	102,478			7,564		94,676	204,718	
Total	\$5,964,142	\$694,764	\$154,433	\$1,073,650	\$437,328	\$702,354	\$9,026,670	

## **Note 13 - RISK MANAGEMENT**

### **A. Property and Liability**

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

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and 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 \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

For each of the past three fiscal years, the City did not have any settlements which exceeded its insurance coverage.

### **B. Health and Welfare**

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

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

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

### **C. Industrial Insurance**

The City of Shoreline participates in the State of Washington's Employment Security Department's Industrial Insurance program. Payments are made quarterly.

**D. Unemployment**

The unemployment compensation insurance program is a federal-state system designed to provide partial wage loss compensation to workers during periods of temporary unemployment.

The City elected the reimbursement (self-insurance) method for claim payment and maintains the Unemployment internal service fund. The City reimburses Washington State’s Employment Security Department on a quarterly basis for claims approved and paid.

Changes in claims liabilities for the two past years are as follows:

Year	Beginning Claim Liability	Additions	Reductions	Ending Claim Liability
2019	\$10,141	\$21,934	\$29,888	\$2,187
2020	\$2,187	\$46,824	\$32,190	\$16,821

**Note 14 – TAX ABATEMENT**

GASBS 77: Tax Abatement Disclosures requires that the City is disclose any tax abatements affecting its revenues, whether issued by the City or another government. Below is a table of the required disclosures:

Tax Abatement Programs For the Year Ended December 31, 2020		
	Primary Government City of Shoreline	Other Government State of Washington
	Multi-Unit Urban Housing Exemption	Nonprofit
1) Purpose of program	a) Encourage increased multifamily affordable and market-rate residential opportunities within targeted areas.	Encourage increased multifamily affordable housing for very low income families.
	b) Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for revitalization of designated areas.	
	c) Assist in directing future population growth to targeted areas, thereby reducing development pressure on single-family residential neighborhoods.	
	d) Achieve developmental densities that stimulate a healthy economic base and are more conducive to transit use in the designated targeted area.	
2) Tax being abated	Property Tax	Property Tax
3) Authority under which abatement agreements are entered into	SMC 3.27 and RCW chapter 84.14: in addition each owner of a property must enter a legally binding agreement with the City of Shoreline, which is then recorded with King County. The agreement details the affordability requirements and other stipulations for compliance with the program.	RCW chapter 84.36.560: each owner must submit an application to the Washington State Department of Revenue (DOR). If approved, the DOR issues a Property Tax Exemption Determination letter.

4) Criteria to be eligible to receive abatement	The program is meant to incentivize the creation of multi-family housing by providing a property tax exemption on new or rehabilitated multi-family buildings in exchange for setting aside a minimum of 20% of the homes as income- and rent-restricted. The program is only available to developers who build or rehabilitate four or more units. Additional requirements apply to rehabilitated properties which are already occupied.	Nonprofit entities which provide low income housing qualify if: a) The nonprofit entity benefits from the exemption; b) At least 75% of the occupied dwelling units in the rental housing or lots in a mobile park are occupied by a very low-income household. c) The rental housing or lots in a mobile home park were insured, financed, or assisted in whole or in part through one or more of the following sources: (i) A federal or state housing program administered by the department of community, trade, and economic development; (ii) A federal housing program administered by a city or county government; (iii) An affordable housing levy authorized under RCW 84.52.105; or (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and any of the surcharges authorized in chapter 43.185C RCW.
5) How recipient's taxes are reduced	Only the ad valorem value of housing-related improvements qualifying under the terms of Chapter 3.27, are exempt. Land value continues to be taxed.	The ad valorem value of land, residential improvements and personal property exclusively used to provide rental housing are exempt.
6) How amount of abatement is determined	The entire appraised value of the participating property's residential improvements is exempt.	The entire appraised value of the participating property's land, residential improvements and personal are exempt.
7) Provisions for recapturing abated taxes	If a property fails to comply with the affordability restriction, the City Manager has the authority to cancel a tax exemption, and the Assessor has the authority to impose fines, collect back taxes, and charge interest on back taxes.	Upon cessation of a use under which an exemption has been granted pursuant to RCW 84.36.560, with certain exceptions, the county treasurer shall collect all taxes which would have been paid had the property not been exempt during the three years preceding, or the life of such exemption, if such be less, together with the interest at the same rate and computed in the same way as that upon delinquent property taxes.
8) Types of commitments made by the City other than to reduce taxes	N/A	N/A
9) Gross amount of City's revenues being reduced	\$175,692	\$73,991

## **Note 15 – RELATED PARTY TRANSACTIONS**

On October 22, 2002, the Ronald Wastewater District (District) and the City entered into an agreement in which the City would assume control of the District on October 23, 2017. In consideration of the Interlocal Operating Agreement Fee, the City consented to not exercise its statutory authority granted under RCW 35.13A which would have allowed the City to assume jurisdiction over “the District or any District responsibilities, property, facilities or equipment within the city’s corporate limits, including future annexed areas.” Due to litigation issues, this government combination has been deferred.

Instead, effective October 23, 2017, the District contracted with the City to take over the day-to-day operations of the District; the District’s regular employees became City employees; and the District transferred all of its personal assets to the City. The Wastewater Enterprise Fund was established to record and report the activity of the District’s operations.

On March 4, 2019, the City Council authorized the City Manager to provide notice to the Ronald Wastewater District that the City is exercising its rights for a two-year extension of the First Amendment to the 2002 Interlocal Operating Agreement, the 2017 Wastewater Utility Operating Services Agreement, and the 2017 Franchise Granted by Ordinance No. 800 and to Execute the Second Amendment to Paragraph 4.2 of the 2002 Interlocal Operating Agreement.

The City invoices the District each quarter for actual operating costs. The funds collected by the City on behalf of the District through walk in wastewater customers who pay their wastewater invoices to the City are retained in a liability account and reconciled against the actual costs to determine the amount due to or from the City and the District. The reconciliation performed as of December 31<sup>st</sup>, revealed that the District is owed \$262,077 by the City, for which the credit balance will be applied against 2021 expenditures.

During 2019, the City entered into a 10 month lease agreement with Ronald Wastewater District effective March 6, 2019, to lease office and equipment parking space to house the landscaping crew, at the rate of \$1,200 for the first month and \$1,800 per month for the duration of the lease, the initial term of which expired on December 31, 2019. The city retained the right to extend the lease into 2020 at a monthly lease rate of \$1,900. The lease was terminated as of 4/30/2020

The District’s buildings and infrastructure remain the property of the District, and its Commissioners retain control over the direction of the District. As such, this does not qualify as a government combination. It is the Management’s opinion that the District only qualifies as a related party. In consequence, the following related party transaction information is provided:

In anticipation of the government combination, the City incurred transition expenditures totaling \$186,797 which the District’s Commission declined to pay. In addition, although District employees cashed out much of their leave immediately prior to transferring to the City’s employ, some leave was retained, and \$103,912 in accrued leave liability was recognized as a liability to the City upon transfer. In consequence of these two items, a total of \$290,709 have been recorded as a receivable from the District, which has been offset by deferred inflows, in the General Fund. The accounts receivable will be fully relieved when the City fully assumes the District.

In 2020, the City reported \$3,484,652 in operating revenues from the District, in the Wastewater Utility Fund. Reported operating expenses totaled \$2,092,755. After non-operating revenues and transfers, the change in net position came to \$955,785. The fund has adequate cash and investments sufficient to continue operation.

## **Note 16 – CONTINGENCIES AND LITIGATION**

### **Contingent Liabilities**

The City has recorded in its financial statements all material liabilities. In the opinion of management, the City's participation in and coverage provided by the WCIA pool and insurance reserves are adequate to pay all known or pending claims.

The City is contingently liable for the repayment of refunded debt. See Note 11: Long-Term Debt.

The City participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, would be immaterial.

### **Litigation**

The City had several other lawsuits pending at the end of 2020. In the opinion of management, it is highly improbable that any of those cases would result in material liabilities to the City.

## **Note 17 – COVID-19 PANDEMIC**

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

The City Administration's response to COVID-19 impacted all areas of the City's operations in order to help ensure the safety of its citizens and employees. City Hall and the City's recreational programs, and some areas, such as the soccer fields and playgrounds were closed. Until May 30, 2020, employees deemed non-essential were instructed to remain at home and telecommute whenever possible. On May 30, 2020 the City returned staff that were unable to telecommute to work after implementing work site plans that meet the Governors safety criteria for returning to work. Protocols have been established protect those employees deemed essential to the operations of the City. These protocols include encouraging telecommuting to the greatest extent possible, providing appropriate protective gear, requiring a daily health questionnaire, prior to coming on site; on-site testing for fevers prior to entering City Hall, etc.

Since the adoption of the 2019-2020 biennial budget, revenues have come in above projected levels. The City closely monitored and planned for the anticipated impacts of COVID-19 on its revenues, and the decision was made to not amend any of the City's revenue sources. Retail sales tax and development fees were higher in 2020 than expected. Culture and Recreation expenditures came in at 80% of the budget due to savings from COVID-19 related facility closures.

The City received several COVID-19 grants in 2020. The most significant award exceeded \$2.5 million of which \$189,063 was passed through to local subrecipients. The City will receive additional Federal Funding in 2021 through the American Rescue Plan Act (ARPA).

This City will begin a phased reopening of all facilities beginning July 6 with a targeted full reopening in early September. The full extent of the financial impact remains unknown at this time.

**Note 18 – IMPLEMENTATION OF GASBS NO. 83 AND 84**

In 2020, the City implemented GASBS No. 83, Certain Asset Retirement Obligations, and GASBS No. 84, Fiduciary Activities.

**Note 19 – SUBSEQUENT EVENTS**

**A. DISSOLUTION OF RONALD WASTEWATER DISTRICT**

In accordance with the Order of Dissolution issued by the Superior Court of the State of Washington and the City of Shoreline's Ordinance No. 912 approved by the City Council, effective April 30, 2021, at 12:01 AM, the City assumed jurisdiction of all of the Ronald Wastewater District, and the District itself was dissolved. Additional information is provided in Note 15: Related Party Transactions.

**B. BONDS AUTHORIZED**

On March 29, 2021, the City Council passed Ordinance No. 926 which authorized the issuance of limited tax general obligation bonds in the aggregated principal amount not to exceed \$8,350,000 in limited tax general obligation bonds. Additional information is provided in Note 10: Long-Term Debt.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Shoreline  
Schedule of Proportionate Share of the Net Pension Liability  
PERS1  
As of June 30  
Last 10 Fiscal Years<sup>1</sup>**

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.105373%	0.113653%	0.098763%	0.101204%	0.091285%	0.092547%
Employer's proportionate share of the net pension liability	\$ 3,720,236	\$ 4,370,361	\$ 4,410,807	\$ 4,802,209	\$ 4,902,434	\$ 4,841,069
Covered payroll <sup>2</sup>	\$ 16,465,835	\$ 15,774,565	\$ 12,920,189	\$ 12,483,917	\$ 10,862,070	\$ 10,277,408
Employer's proportionate share of the net pension liability as a percentage of covered payroll	22.59%	27.71%	34.14%	38.47%	45.13%	47.10%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

**City of Shoreline  
Schedule of Employer Contributions  
PERS1  
As of December 31  
Last 10 Fiscal Years<sup>1</sup>**

	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 840,453	\$ 796,386	\$ 735,652	\$ 615,665	\$ 558,303	\$ 490,337
Contributions in relation to the statutorily or contractually required contributions <sup>3</sup>	840,453	796,386	735,652	615,665	558,303	490,337
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll <sup>2</sup>	\$ 17,305,422	\$ 15,772,024	\$ 14,348,776	\$ 12,500,392	\$ 11,469,839	\$ 10,894,759
Contributions as a percentage of covered payroll	4.86%	5.05%	5.13%	4.93%	4.87%	4.50%

**Notes to Schedules:**

<sup>1</sup>These schedules will be built prospectively until they contain 10 years of data.

<sup>2</sup>"Covered-employee payroll" includes employee compensation, as defined by statute, that the City reported to the Washington Department of Retirement Services (DRS). Employer-reported employee compensation is used to calculate retirement contributions due the the retirement system. The total salary of wages paid to employees eligible for retirement-system

<sup>3</sup>The annual required contribution changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic changes and losses.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**City of Shoreline  
Schedule of Proportionate Share of the Net Pension Liability  
PERS2/3  
As of June 30  
Last 10 Fiscal Years<sup>1</sup>**

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.133658%	0.143868%	0.122180%	0.125482%	0.112199%	0.112877%
Employer's proportionate share of the net pension liability	\$ 1,709,410	\$ 1,397,447	\$ 2,086,115	\$ 4,359,900	\$ 5,649,131	\$ 4,033,160
Covered payroll <sup>2</sup>	\$ 16,334,555	\$ 15,642,084	\$ 12,747,030	\$ 12,284,105	\$ 10,675,686	\$ 10,020,552
Employer's proportionate share of the net pension liability as a percentage of covered payroll	10.46%	8.93%	16.37%	35.49%	52.92%	40.25%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

**City of Shoreline  
Schedule of Employer Contributions  
PERS2/3  
As of December 31  
Last 10 Fiscal Years<sup>1</sup>**

	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	1,359,343	1,200,566	1,064,874	826,247	701,870	600,989
Contributions in relation to the statutorily or contractually required contributions <sup>3</sup>	1,359,343	1,200,566	1,064,874	826,247	701,870	600,989
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll <sup>2</sup>	17,167,613	15,642,675	13,854,808	12,302,561	11,280,722	10,668,684
Contributions as a percentage of covered payroll	7.92%	7.67%	7.69%	6.72%	6.22%	5.63%

**Notes to the Schedules:**

<sup>1</sup>"Covered-employee payroll" includes employee compensation, as defined by statute, that the City reported to the Washington Department of Retirement Services (DRS). Employer-reported employee compensation is used to calculate retirement contributions due to the retirement system. The total salary of wages paid to employees eligible for retirement-system coverage may not be reportable to

<sup>2</sup>The annual required contribution changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic changes and losses.

<sup>3</sup>These schedules will be built prospectively until they contain 10 years of data.

**City of Shoreline  
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		
<b>CDBG - Entitlement Grants Cluster</b>								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via King County Housing and Community Development)	Community Development Block Grants/Entitlement Grants	14.218	B-20-UC-53000 -1, 5EG98	116,257	-	116,257	83,901	4
<b>Total CDBG - Entitlement Grants Cluster:</b>				<b>116,257</b>	<b>-</b>	<b>116,257</b>	<b>83,901</b>	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	P18AP00370, 16-16210	12,052	-	12,052	-	4
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9954/HSIP- 2141 (003)/STPUL- 0523(010)	475	-	475	-	4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 8901/STPUL -0523(010)	797,151	-	797,151	-	4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA9857/HSIP- 000S(557)	34,558	-	34,558	-	4

The accompanying notes are an integral part of this schedule.

**City of Shoreline  
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 WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA9075/STPUL -0523(011)	748,126	-	748,126	-	4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9387/STPUL -2118(002)	529,334	-	529,334	-	4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9398/STPUL -1611(004)	453,157	-	453,157	-	4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Dept. of Transportation)	Highway Planning and Construction	20.205	LA 9643/STPUL -1169(022)	569,808	-	569,808	-	4
<b>Total Highway Planning and Construction Cluster:</b>				<b>3,132,609</b>	<b>-</b>	<b>3,132,609</b>	<b>-</b>	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce, Local Government Division, Community Capital Facilities Unit)	Coronavirus Relief Fund	21.019	20-6541C-319	2,536,650	-	2,536,650	189,063	4
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS (via WA State Arts Commission)	Promotion of the Arts Partnership Agreements	45.025	1809822-61- 18/PSB20-207	3,500	-	3,500	-	4

The accompanying notes are an integral part of this schedule.

**City of Shoreline  
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 (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEIN UNKNOWN/	65,780	-	65,780	-	3,4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Emergency Management Performance Grants	97.042	EMS-2020-EP- 00002-S01/E21 -177	4,722	-	4,722	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Emergency Management Performance Grants	97.042	EMS-2019-EP- 0003-S01/E20- 161	17,975	-	17,975	-	4
<b>Total CFDA 97.042:</b>				<b>22,697</b>	<b>-</b>	<b>22,697</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>5,889,545</b>	<b>-</b>	<b>5,889,545</b>	<b>272,964</b>	

The accompanying notes are an integral part of this schedule.

**CITY OF SHORELINE, 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 Shoreline's financial statements. The City of Shoreline uses the Generally Accepted Accounting Principles (GAAP) basis of accounting.

**NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE**

The City has elected the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance. However, this indirect cost rate was not applied to any federal grants during the year.

**NOTE 3 – ADMINISTRATIVE FEE RATE**

The amount expended includes \$3,132 claimed as an administrative fee using the 5% rate stipulated by the grant program.

**NOTE 4 - PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Shoreline's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 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](http://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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