



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Kenmore

For the period January 1, 2022 through December 31, 2022

Published April 30, 2024

Report No. 1034675



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

April 30, 2024

Council
City of Kenmore
Kenmore, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

Summary Schedule of Prior Audit Findings	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 <i>Government Auditing Standards</i>	6
Independent Auditor's Report on the Financial Statements	9
Financial Section	13
About the State Auditor's Office	36



City of Kenmore, Washington

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Kenmore January 1, 2022 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2021 through December 31, 2021	Report Reference No.: 1032144	Finding Ref. No.: 2021-001	ALN(s): 21.027
Federal Program Name and Granting Agency: COVID-19 Coronavirus State and Local Recovery Funds – U.S. Department of the Treasury		Pass-Through Agency Name: N/A	
Finding Caption: The City lacked adequate internal controls for ensuring compliance with federal suspension and debarment requirements.			
Background: In 2021, the City spent \$816,284 in program funds to provide public health services. Our audit found the City did not have adequate controls and did not verify that one of its contractors was not suspended or debarred from participating in federal programs. The City did not obtain a written certification, insert a clause into the contract, or check SAM.gov to verify that the awarded contractor was not suspended or debarred. The City paid this contractor \$680,338 during fiscal year 2021. Without this verification, the City increases its risk of providing federal funds to contractors that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the federal grantor could potentially recover them. We subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs for these payments.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

Kenmore is committed to complying with all rules to ensure contractors are not debarred or suspended from doing business with the federal government. The City has added debarment language to our Requests for Proposals and staff check the US General Services Administration's System for Award Management at SAM.gov for suspension or debarment.

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 Kenmore January 1, 2022 through December 31, 2022

Council
City of Kenmore
Kenmore, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Kenmore, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated April 30, 2024.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

April 30, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Kenmore January 1, 2022 through December 31, 2022

Council
City of Kenmore
Kenmore, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Kenmore, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Kenmore, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Kenmore, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

April 30, 2024

FINANCIAL SECTION

City of Kenmore January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to the Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

City of Kenmore
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 General	101 Street	110 Public Arts
Beginning Cash and Investments					
308	Beginning Cash and Investments	34,078,051	9,390,411	2,055,930	118,609
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	15,190,149	11,511,226	-	-
320	Licenses and Permits	1,558,136	1,558,136	-	-
330	Intergovernmental Revenues	13,743,866	610,943	483,218	-
340	Charges for Goods and Services	5,203,696	729,214	190,735	-
350	Fines and Penalties	39,209	38,793	416	-
360	Miscellaneous Revenues	3,044,939	347,188	12,595	1,116
Total Revenues:		38,779,995	14,795,500	686,964	1,116
Expenditures					
510	General Government	5,922,932	5,393,945	-	-
520	Public Safety	3,876,369	3,876,369	-	-
530	Utilities	2,414,812	-	-	-
540	Transportation	2,431,781	667,405	1,632,504	-
550	Natural/Economic Environment	2,295,873	2,295,873	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	660,926	660,926	-	-
Total Expenditures:		17,602,693	12,894,518	1,632,504	-
Excess (Deficiency) Revenues over Expenditures:		21,177,302	1,900,982	(945,540)	1,116
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	2,707,688	-	-	-
397	Transfers-In	20,232,011	-	1,257,212	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,318,185	1,903,260	14,925	-
Total Other Increases in Fund Resources:		25,257,884	1,903,260	1,272,137	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	28,752,294	3,910,411	56,959	-
591-593, 599	Debt Service	1,414,534	47,984	-	-
597	Transfers-Out	20,232,011	2,191,515	55,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,257,602	207,602	-	-
Total Other Decreases in Fund Resources:		52,656,441	6,357,512	111,959	-
Increase (Decrease) in Cash and Investments:		(6,221,255)	(2,553,270)	214,638	1,116
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	21,371,002	1,041,882	2,270,568	119,725
50841	Committed	-	-	-	-
50851	Assigned	690,535	-	-	-
50891	Unassigned	5,795,259	5,795,259	-	-
Total Ending Cash and Investments		27,856,796	6,837,141	2,270,568	119,725

The accompanying notes are an integral part of this statement.

City of Kenmore
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		120 Park Impact	121 Transportation Impact	130 ARPA Fiscal Recovery	150 Transportation Benefit District
Beginning Cash and Investments					
308	Beginning Cash and Investments	847,948	2,070,267	2,407,456	146,007
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	351,585
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	3,226,889	-
340	Charges for Goods and Services	294,170	673,886	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	10,246	24,781	38,676	3,930
Total Revenues:		304,416	698,667	3,265,565	355,515
Expenditures					
510	General Government	-	-	528,687	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	528,687	-
Excess (Deficiency) Revenues over Expenditures:		304,416	698,667	2,736,878	355,515
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	231,202	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	231,202	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	8,820	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,057,433	2,640,107	-	350,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,057,433	2,640,107	8,820	350,000
Increase (Decrease) in Cash and Investments:		(753,017)	(1,710,238)	2,728,058	5,515
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	94,931	360,029	5,135,514	151,522
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		94,931	360,029	5,135,514	151,522

City of Kenmore
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		200 Debt Service Fund	300 Transportation Capital	301 REET	303 Park Capital
Beginning Cash and Investments					
308	Beginning Cash and Investments	184,915	827,269	4,115,529	469,989
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,047,948	-	2,279,390	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,090,309	-	2,219,167
340	Charges for Goods and Services	-	42,000	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	1,741,293	55,170	203,850
Total Revenues:		1,047,948	3,873,602	2,334,560	2,423,017
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	131,872	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	131,872	-	-
Excess (Deficiency) Revenues over Expenditures:		1,047,948	3,741,730	2,334,560	2,423,017
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	8,564,435	1,500,000	7,451,721
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	8,564,435	1,500,000	7,451,721
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	10,689,554	-	8,598,221
591-593, 599	Debt Service	1,056,150	-	-	-
597	Transfers-Out	-	-	4,999,020	141,634
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,056,150	10,689,554	4,999,020	8,739,855
Increase (Decrease) in Cash and Investments:		(8,202)	1,616,611	(1,164,460)	1,134,883
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	176,713	2,443,880	2,951,069	1,604,872
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		176,713	2,443,880	2,951,069	1,604,872

City of Kenmore
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		304 Walkways & Waterways Project	306 Sammamish Bridge	307 Public Works Shop Fund	401 Surface Water Management
Beginning Cash and Investments					
308	Beginning Cash and Investments	6,157,414	788,356	29,624	4,008,112
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	5,113,340	-	-
340	Charges for Goods and Services	-	-	-	3,034,589
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	158,316	62,503	-	379,531
Total Revenues:		158,316	5,175,843	-	3,414,120
Expenditures					
510	General Government	300	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	2,414,812
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		300	-	-	2,414,812
Excess (Deficiency) Revenues over Expenditures:		158,016	5,175,843	-	999,308
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	2,582,728	124,960
397	Transfers-In	-	737,007	318,000	172,434
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	400,000
Total Other Increases in Fund Resources:		-	737,007	2,900,728	697,394
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	4,352,869	182,061	938,873
591-593, 599	Debt Service	-	-	268,492	41,908
597	Transfers-Out	6,255,467	1,731,202	-	810,633
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	2,050,000	-
Total Other Decreases in Fund Resources:		6,255,467	6,084,071	2,500,553	1,791,414
Increase (Decrease) in Cash and Investments:		(6,097,451)	(171,221)	400,175	(94,712)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	59,963	617,135	429,799	3,913,400
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		59,963	617,135	429,799	3,913,400

City of Kenmore
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		501 Equipment Replacement
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	460,215
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	239,102
350	Fines and Penalties	-
360	Miscellaneous Revenues	5,744
Total Revenues:		<hr/> 244,846
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> -
Excess (Deficiency) Revenues over Expenditures:		<hr/> 244,846
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<hr/> -
Other Decreases in Fund Resources		
594-595	Capital Expenditures	14,526
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 14,526
Increase (Decrease) in Cash and Investments:		<hr/> 230,320
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	690,535
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 690,535

The accompanying notes are an integral part of this statement.

City of Kenmore
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Custodial</u>
308	Beginning Cash and Investments	6,052
388 & 588	Net Adjustments	-
310-390	Additions	370,676
510-590	Deductions	<u>370,676</u>
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	6,052

The accompanying notes are an integral part of this statement.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kenmore was incorporated on August 31, 1998 and operates under the laws of the state of Washington applicable to an optional municipal code city with a council-manager form of government. The City of Kenmore is a general purpose government and provides public safety, development services, land use and planning, street maintenance and improvements, parks maintenance and improvements, and general administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. **Fund Accounting**

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

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the City of Kenmore. It accounts for all financial resources except those required or elected to be accounted for in another fund. The Strategic Reserve Fund was created to serve as the City’s emergency reserve fund. The Strategic Opportunities Fund was created in 2013 to provide resources that would enable the City to make key investments or take advantage of strategic opportunities as they present themselves. These funds are combined with the General Fund for financial reporting purposes.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Kenmore. The City maintains the following Special Revenue Funds: the Street Fund, the Transportation Benefit District Fund, the Public Art Fund and the ARPA Fund.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

Debt Service Funds

In 2017, the 2016 UTGO Debt Service Fund was created and accounts for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt related to the Walkways and Waterways Bond Issues of 2016 and 2021.

Capital Project Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. The City maintains the following Capital Project Funds: Transportation Capital Fund, Park Impact Fee Fund, the Transportation Impact Fee Fund, the Real Estate Excise Tax Fund, Walkways & Waterways Bond Project Fund, the Sammamish Bridge Replacement Fund, the Park Capital Fund and the Public Works Shop Fund.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. The Surface Water Management Fund is an Enterprise Fund and includes the Surface Water Capital Fund and the Swamp Creek Basin Fund.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis. The Equipment Replacement Fund is an Internal Service Fund.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Kenmore in a trustee capacity or as a custodian on behalf of others.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

Purchases of fixed assets are expensed during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense.

C. Cash and Investments

See Note 3. Deposits and Investments.

D. Capital Assets

Capital assets are long-lived assets of the City with an initial individual cost of \$15,000, or more, and an estimated useful life in excess of two years. Capital assets are recorded as expenditures when purchased.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated indefinitely and is payable at the rate of 1 hour of pay per 5 hours unused sick leave upon layoff or resignation in good status and at the rate of 1 hour of pay per 2 hours unused sick leave upon retirement or death, with a maximum amount of 720 paid hours. Payments are recognized as expenditures when paid. The projected December 31, 2022, liability for compensated absences is \$511,097.

F. Long-Term Debt

See Note 7, Long Term Debt

G. Restricted and Committed Portion of Ending Cash and Investments

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

The General Fund Balance includes restricted funds in the amount of \$1,041,882. This includes the amount of \$124,145 that was received on June 2, 2010 as proceeds from sale of jail property that is restricted per the Proceeds Distribution and Hold Harmless Agreement between the City of Kenmore and the City of Bellevue. These funds are to contribute to the cost of building secure capacity or contracting for secure capacity or building or contracting for alternative corrections facilities sufficient to enable the Contract Cities to meet the final step of the jail population reduction schedule. The balance of \$917,737 are Surety Cash Deposits that are being held by the City of Kenmore for projects that are currently being worked on in the City.

The Debt Service Fund includes restricted funds from property tax levy in the amount of \$176,713. This amount is to be used for payment of principal and interest on general obligation bonds issued in 2016 and 2021.

The Walkways & Waterways Project fund includes restricted funds from general obligation bond proceeds. The bond proceeds are to be used to pay for constructing, developing, equipping, upgrading, acquiring and improving arterial walkways and waterfront access in the City.

NOTE 2 – BUDGET COMPLIANCE

The City adopts biennial appropriated budgets for the funds listed in the table on the following page. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for all funds lapse at the end of the two-year fiscal period. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. For the purpose of financial reporting, certain budgeted funds are rolled up to the applicable financial statement funds as follows:

Budgeted Funds	Financial Statement Funds
General Fund Strategic Reserve Fund Strategic Opportunities Fund Surety/Security Deposit Fund	General Fund
Surface Water Management Fund Surface Water Capital Fund Swamp Creek Basin Fund	Surface Water Management Fund

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

Interfund activity between funds combined for financial statement purposes has been eliminated.

The 2021-2022 biennial budgeted expenditures, as amended on November 22, 2021, and November 21, 2022, are as follows:

FUND	2021-2022 Adopted Biennium Budget	2021 Mid Biennium Amendment	2022 Mid Biennium Amendment	2021-2022 Amended Biennium Budget
General Fund	\$ 29,131,273	\$ 3,050,000	\$ 5,430,000	\$ 37,611,273
Street Fund	3,328,167	-	1,455,000	4,783,167
Public Art Fund	144,473	-	-	144,473
Transportation Benefit District	-	700,000	-	700,000
ARPA Fiscal Recovery Fund	-	1,570,900	300,000	1,870,900
2016 UTGO Debt Service Fund	1,581,100	-	256,900	1,838,000
Transportation Capital Fund	24,286,959	-	2,158,000	26,444,959
Real Estate Excise Tax Fund	6,301,961	1,638,161	110,000	8,050,122
Walkways & Waterways Project Fund	11,235,993	1,011,688	1,326,000	13,573,681
Park Capital Fund	8,549,948	4,990,149	530,368	14,070,465
Park Impact Fee Fund	829,412	-	280,368	1,109,780
Transportation Impact Fee fund	3,817,547	45,000	-	3,862,547
Sammamish River Bridge Fund	26,668,658	4,031,202	-	30,699,860
Public Works Shop fund	3,500,000	2,500,000	3,165,000	9,165,000
Surface Water Management Fund	12,385,411	35,564	133,000	12,553,975
Equipment Replacement Fund	448,456	-	-	448,456
TOTAL	\$ 132,209,358	\$ 19,572,664	\$ 15,144,636	\$ 166,926,658

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

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

FUND	2021-2022 Amended Biennium Budget	2021 Actual Expenditures	2022 Actual Expenditures	Variance
General Fund	\$ 37,611,273	\$ 14,056,599	\$ 19,252,030	\$ 4,302,644
Street Fund	4,783,167	1,369,216	1,744,460	1,669,491
Public Art Fund	144,473	36,110	-	108,363
Transportation Benefit District	700,000	350,000	350,000	-
ARPA Fiscal Recovery Fund	1,870,900	816,284	537,507	517,109
2016 UTGO Debt Service Fund	1,838,000	778,654	1,056,150	3,196
Transportation Capital Fund	26,444,959	13,083,940	10,821,426	2,539,593
Real Estate Excise Tax Fund	8,050,122	1,551,102	4,999,020	1,500,000
Walkways & Waterways Project Fund	13,573,681	7,317,896	6,255,767	18
Park Capital Fund	14,070,465	3,658,281	8,739,855	1,672,329
Park Impact Fee Fund	1,109,780	52,347	1,057,433	-
Transportation Impact Fee fund	3,862,547	1,222,440	2,640,107	-
Sammamish River Bridge Fund	30,699,860	19,203,470	6,084,071	5,412,319
Public Works Shop fund	9,165,000	5,895,424	2,500,553	769,023
Surface Water Management Fund	12,553,975	3,296,748	4,206,228	5,050,999
Equipment Replacement Fund	448,456	33,661	14,526	400,269
TOTAL	\$ 166,926,658	\$ 72,722,172	\$ 70,259,133	\$ 23,945,353

The City Manager is authorized to transfer budgeted amounts between accounts 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Deposits and investments by type as of December 31, 2022, are as follows:

Type of Deposit or Investment	City of Kenmore's own Deposits and Investments	Deposits & Investments held by City of Kenmore as an agent	Total
Bank Deposits	\$ 5,364,345	\$ 917,737	\$ 6,282,082
Local Government Investment Pool	17,661,316	-	17,661,316
U.S. Government Securities	6,563,118	-	6,563,118
Total	\$ 29,588,779	\$ 917,737	\$ 30,506,516

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

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

Investments in the State Local Government Investment Pool (LGIP)

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

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

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 would 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).

All investments are insured, registered or held by the City or its agent in the City's name. As of December 31, 2022, there were no investments held by the City of Kenmore as an agent for other local governments, individuals, or private organizations.

NOTE 4 – PROPERTY TAXES

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

The City's regular levy for 2022 was \$0.88749 per \$1,000 of an assessed valuation of \$6,165,203,507 (after exemptions) for a total regular levy of \$5,471,536.

In 2022, the City also levied \$0.17274 per \$1,000 for repayment of the Walkways & Waterways Bonds issued in December 2016 for a total additional levy of \$1,056,105.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Payments	Balance 12/31/2022
Public Works Shop Fund	General fund	\$1,000,000	\$0	\$450,000	\$550,000
Public Works Shop Fund	Strategic Opportunities Fund	\$1,200,000	\$0	\$1,200,000	\$0
Public Works Shop Fund	Surface Water Management Fund	\$400,000	\$0	\$400,000	\$0
Total		\$2,600,000	\$0	\$2,050,000	\$550,000

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

NOTE 6 – LEASES

During the year ended December 31, 2022, the City adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The City leases one (1) copier from Canon Financial Services for \$266 per month under a 5-year lease agreement, which can be cancelled with 30 days' notice. The City leases the AV equipment located in the City Council Chambers from Huntington Finance.

The total amount paid for leases in 2022 was \$47,984. As of December 31, 2022, the future lease payments are as follows:

Year ended December 31	Total
2023	\$ 47,718
2024	45,323
2025	-
2026	-
2027	-

NOTE 7 – LONG TERM DEBT

General obligation bonds were issued in 2016 and are being repaid from a voter-approved excess property tax levy. The bonds were issued to pay for constructing, developing, equipping, upgrading, acquiring, and improving arterial walkways and waterfront access in the City and to pay for costs of issuance of the bonds. All principal and interest payments on this general obligation debt, beginning in 2017, are recorded as expenditures in a debt service fund.

On September 22, 2021, the City issued Unlimited Tax General Obligation Bonds 2021A in the amount of \$8,725,000 and Unlimited Tax General Obligation Bonds 2021B (Taxable) in the amount of \$195,000. These bonds were approved by the City's voters at an election held on November 8, 2016, which authorized up to \$19,750,000 in bonds to finance the cost of the construction of new sidewalks and pedestrian and bicycle safety improvements as well as waterfront access, viewpoints, walkways, facilities, open spaces, and natural habitats at City parks. The 2021 bonds were the second and final series with the first being the 2016 general obligation bonds mentioned above.

On June 1, 2018, the City entered a Public Works Board Construction Loan Contract with the Washington Public Works Board. The loan amount is \$1,500,000 and the drawdowns as of December 31, 2022, totaled \$636,362. The purpose of this loan is to replace an existing culvert along the east side of 61st Ave NE and intersects with NE 190th St. Time of performance is 60 months from execution date of the Contract to project completion.

In November 2021, the City entered a financing contract (lease) with the office of the State Treasurer and became a participant in the issuance of the State of Washington Certificates of Participation, Series 2021C. The participation amount received was \$2,605,000 and was used to reimburse the City for property acquisition for the future public works maintenance facility.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

In 2022, the City entered a 22-year, Tax-Exempt Limited General Obligation Bond Purchase Agreement with Banner Bank. The principal amount of the Bond is not to exceed \$6,600,000. The first draw of \$2.6 million occurred in May 2022. The Bond proceeds are to fund the construction of the future public works maintenance facility and other capital expenditures.

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Kenmore and summarizes the City's debt transactions for year ended December 31, 2022.

Purpose	Maturity Range	Interest Rate	Issued Amount	Outstanding 12/31/2022
Unlimited Tax General Obligation Bonds - 2016	2017-2036	2% - 4%	\$ 9,220,000	\$ 5,610,000
Unlimited Tax General Obligation Bonds - 2021	2021-2040	3% - 4%	\$ 8,920,000	\$ 8,475,000
Public Works Trust Fund Loan	6/1/2038	1.66%	\$ 636,362	\$ 577,384
State of Washington Certificates of Participation Series 2021C	2021-2041	2.42%	\$ 2,605,000	\$ 2,530,000
Limited Tax General Obligation Bonds - 2022	2022-2043	3.45%	\$ 2,582,728	\$ 2,582,728

The debt service requirements for the 2016 Unlimited Tax General Obligation Bonds are as follows:

Year	Principal	Interest	Total
2023	\$ 310,000	\$ 218,100	\$ 528,100
2024	320,000	208,800	528,800
2025	330,000	199,200	529,200
2026	345,000	186,000	531,000
2027	360,000	172,200	532,200
2028-2032	2,020,000	633,600	2,653,600
2033-2036	1,925,000	196,200	2,121,200
Total	\$ 5,610,000	\$ 1,814,100	\$ 7,424,100

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

The debt service requirements for the 2021 Unlimited Tax General Obligation Bonds are as follows:

Year	Principal	Interest	Total
2023	\$ 265,000	\$ 266,400	\$ 531,400
2024	270,000	258,450	528,450
2025	275,000	250,350	525,350
2026	285,000	239,350	524,350
2027	295,000	230,800	525,800
2028-2032	1,645,000	984,300	2,629,300
2033-2037	2,455,000	704,100	3,159,100
2038-2040	2,985,000	180,900	3,165,900
Total	\$ 8,475,000	\$ 3,114,650	\$ 11,589,650

The debt service requirement for the City's portion of the State of Washington Certificates of Participation Series 2021C are as follows:

Year	Principal	Interest	Total
2023	\$ 80,000	\$ 126,500	\$ 206,500
2024	85,000	122,500	207,500
2025	90,000	118,250	208,250
2026	95,000	113,750	208,750
2027	100,000	109,000	209,000
2028-2032	585,000	464,750	1,049,750
2033-2037	745,000	303,000	1,048,000
2038-2041	750,000	95,750	845,750
Total	\$ 2,530,000	\$ 1,453,500	\$ 3,983,500

The debt service requirements for the 2022 Limited Tax General Obligation Bonds are as follows:

Year	Principal	Interest	Total
2023	\$ -	\$ 89,104	\$ 89,104
2024	91,798	89,104	180,902
2025	94,965	85,938	180,903
2026	98,242	82,660	180,902
2027	101,631	79,272	180,903
2028-2032	563,231	341,282	904,513
2033-2037	667,328	237,182	904,510
2038-2042	790,664	113,846	904,510
2043	174,869	6,034	180,903
Total	\$ 2,582,728	\$ 1,124,422	\$ 3,707,150

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

NOTE 8 – PENSION PLANS

State Sponsored Pension Plan

Substantially all City of Kenmore full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

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

As of June 30, 2022, the City of Kenmore's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	DRS-Schedule of Employer and Non-employer Allocations		DRS-Schedule of Collective Pension Liability Amounts	Ending Balance 12/31/2022
	Employer Contributions	Allocation Percentage		
PERS 1	\$ 37,111	0.006055%	2,784,367,000	\$ 168,593.42
PERS 1 UAAL	\$ 163,688	0.026709%	2,784,367,000	\$ 743,676.58
	\$ 200,799	<i>Total Net Pension Liability (Schedule 09)</i>		\$ 912,270.00
PERS 2 and 3	\$ 279,757	0.034823%	(3,708,781,000)	\$ (1,291,508.81)
		<i>Total Net Pension Assets</i>		\$ (1,291,508.81)

NOTE 9 – JOINT VENTURES AND RELATED PARTIES

A Regional Coalition for Housing

In November 1992, King County and the cities of Bellevue, Redmond, and Kirkland joined together to establish A Regional Coalition for Housing (ARCH). Since its inception, the Cities of Beau Arts Village, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, King County, Medina, Mercer Island, Newcastle, Sammamish, Woodinville, and Yarrow Point have joined ARCH.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants, and HUD grants. ARCH is governed by an Executive Board composed of the chief executive officer from each member city. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City of Kenmore's contribution was \$49,257 in 2022 (3.3 percent of the Coalition's \$1,490,462 administrative budget). The City's contribution to the Trust Fund was \$62,000.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the Agreement, as amended, provides for distribution of the net position among members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of cash or investments is deemed immaterial and thus is not reflected in the financial statements. Budget monitoring information can be obtained from ARCH, c/o Lindsay Masters, 16305 NE 87th Street, Suite 119, Redmond, WA 98052.

eCityGov Alliance

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the eCityGov Alliance between the City of Bellevue and the Cities of Bothell, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Snoqualmie. Since then, additional cities and agencies have joined. The Alliance establishes on-line services through a jointly operated internet portal called MyBuildingPermit.com or "MBP". In 2014 eCityGov Alliance became a non-profit corporation.

Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the members of the eCityGov Alliance. The City of Kenmore paid membership dues of \$14,560 in 2022.

The interlocal agreement may be terminated if Principals holding at least 66% of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of assets is deemed immaterial and thus not reflected in the financial statements.

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, c/o Mollie Purcell, P.O. Box 90012, Bellevue, WA 98009-9012

Interlocal Agreement for Regional Emergency Management

An interlocal agreement for regional emergency management was entered into between the City of Kenmore, the City of Lake Forest Park, King County Fire District 16, and Northshore Utility District. The agreement established a joint operation called the Northshore Emergency Management Coalition (NEMC).

Lake Forest Park serves as the Lead Agency for the Parties and a decision-making body, called the NEMC Committee, governed and administered the agreement.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

The current agreement, effective January 1, 2017, was negotiated and executed in December 2016. This agreement is for a three-year term and extends for twelve month periods unless one or more parties give notice of withdrawal to all parties at least six months prior to the end of the then current term. Kenmore's cost sharing responsibility is 30.75% or \$51,948 for 2022.

NOTE 10 - RISK MANAGEMENT

The City of Kenmore 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 166 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$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.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

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.

The City of Kenmore has an in-house unemployment benefit program. Under Washington State law, the City may maintain its own self-insured workers compensation in lieu of participating in the State programs. The City self-insures for unemployment insurance. Expenditures from unemployment benefits has been \$249 since 2017.

NOTE 11 – OTHER FINANCING SOURCES OR USES

The City's "Other Financing Sources or Uses" consist of operating transfers in, operating transfers out, insurance recoveries, and sale of property. Operating transfers were made in accordance with the adopted biennial budget. The following table displays interfund transfers during 2022.

2022		2022	
Transfers From Fund:	Amount	Transfers To Fund:	Amount
General Fund	\$ 807,212	Street Fund	\$ 807,212
General Fund	30,800	Surface Water Management Fund	30,800
General Fund	1,333,503	Transportation Capital Fund	1,333,503
General Fund	20,000	Public Works Shop Fund	20,000
Street Fund	55,000	Public Works Shop Fund	55,000
Transportation Benefit District	350,000	Streets Fund	350,000
REET Fund	100,000	Street Fund	100,000
REET Fund	2,737,368	Transportation Capital Fund	2,737,368
REET Fund	1,554,739	Park Capital Fund	1,554,739
REET Fund	110,000	Public Works Shop Fund	110,000
REET Fund	496,913	Sammamish Bridge Replacement Fund	496,913
Walkways & Waterways Fund	4,372,010	Park Capital Fund	4,372,010
Walkways & Waterways Fund	1,883,457	Transportation Capital Fund	1,883,457
Park Capital Fund	141,634	Surface Water Management Fund	141,634
Park Impact Fee Fund	1,057,433	Park Capital Fund	1,057,433
Sammamish Bridge Replacement	1,500,000	REET Fund	1,500,000
Sammamish Bridge Replacement	231,202	Transportation Impact Fund	231,202
Surface Water Management Fund	195,094	Sammamish Bridge Replacement Fund	195,094
Surface Water Management Fund	133,000	Public Works Shop Fund	133,000
Surface Water Management Fund	15,000	Transportation Capital Fund	15,000
Surface Water Management Fund	467,539	Park Capital Fund	467,539
Transportation Impact Fund	45,000	Sammamish Bridge Replacement Fund	45,000
Transportation Impact Fund	2,595,107	Transportation Capital Fund	2,595,107
TOTAL	\$ 20,232,011	TOTAL	\$ 20,232,011

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

NOTE 12 – OTHER DISCLOSURES

Health and Welfare

The City of Kenmore 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, 2022, 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, Willamette Dental Group, 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser 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 United States Fire Insurance Company. 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

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022

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.

Construction Commitments

The City had no significant liabilities outstanding for construction projects as of December 31, 2022.

City of Kenmore
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Banner Bank Limited Tax GO Bond	12/1/2043	-	2,582,728	-	2,582,728
251.12	Voted General Obligation Bond-2016	12/1/2036	5,915,000	-	305,000	5,610,000
251.12	Voted General Obligation Bond-2021	12/1/2040	8,725,000	-	250,000	8,475,000
263.96	State of Washington Certificates of Participation Series 2021C	12/1/2041	2,605,000	-	75,000	2,530,000
263.87	PW Trust Fund Loan	6/1/2038	486,857	124,960	34,434	577,383
Total General Obligation Debt/Liabilities:			17,731,857	2,707,688	664,434	19,775,111
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		468,189	42,908	-	511,097
264.30	Net Pension Liability		361,986	550,284	-	912,270
263.57	Photocopier Lease - 2nd Floor	3/31/2024	7,450	-	3,459	3,991
263.57	AV Equipment Lease	3/31/2024	133,576	-	44,525	89,051
Total Revenue and Other (non G.O.) Debt/Liabilities:			971,201	593,192	47,984	1,516,409
Total Liabilities:			18,703,058	3,300,880	712,418	21,291,520

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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