



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## City of Kenmore

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

*Published April 3, 2025*

Report No. 1036804



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

April 3, 2025

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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## 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, 2023 through December 31, 2023**

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, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 17, 2025.

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

March 17, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

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

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, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Kenmore, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

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

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

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

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

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

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

## **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

### **Supplementary Information**

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 17, 2025

## **FINANCIAL SECTION**

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

#### **FINANCIAL STATEMENTS**

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

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

Schedule of Liabilities – 2023

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>105 Kape</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	27,856,796	6,837,141	2,270,568	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	15,851,833	12,500,239	-	-
320	Licenses and Permits	1,523,611	1,523,611	-	-
330	Intergovernmental Revenues	4,799,675	855,911	477,336	-
340	Charges for Goods and Services	5,611,517	1,128,209	227,563	-
350	Fines and Penalties	276,238	57,795	-	218,443
360	Miscellaneous Revenues	2,026,576	417,610	62,723	-
Total Revenues:		30,089,450	16,483,375	767,622	218,443
<b>Expenditures</b>					
510	General Government	6,813,235	6,383,138	-	-
520	Public Safety	5,062,314	372,121	-	84,073
530	Utilities	2,092,168	-	-	-
540	Transportation	3,618,211	602,586	1,528,898	113,134
550	Natural/Economic Environment	2,890,703	2,890,703	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	578,692	534,871	-	-
Total Expenditures:		21,055,323	10,783,419	1,528,898	197,207
Excess (Deficiency) Revenues over Expenditures:		9,034,127	5,699,956	(761,276)	21,236
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	26,002	-	-	-
397	Transfers-In	4,458,442	748,095	850,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	279,580	271,883	7,697	-
Total Other Increases in Fund Resources:		4,764,024	1,019,978	857,697	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	8,481,830	127,831	20,524	-
591-593, 599	Debt Service	1,402,324	-	-	-
597	Transfers-Out	4,458,442	428,000	52,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	308,622	308,622	-	-
Total Other Decreases in Fund Resources:		14,651,218	864,453	72,524	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(853,067)</b>	<b>5,855,481</b>	<b>23,897</b>	<b>21,236</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	14,537,003	1,005,143	2,294,464	21,236
50841	Committed	-	-	-	-
50851	Assigned	779,245	-	-	-
50891	Unassigned	11,687,486	11,687,486	-	-
<b>Total Ending Cash and Investments</b>		<b>27,003,734</b>	<b>12,692,629</b>	<b>2,294,464</b>	<b>21,236</b>

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, 2023**

		110 Public Arts	120 Park Impact	121 Transportation Impact	130 ARPA
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	119,725	94,931	360,029	5,135,514
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	295,076	674,334	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,983	19,344	49,491	-
Total Revenues:		3,983	314,420	723,825	-
<b>Expenditures</b>					
510	General Government	-	-	-	428,178
520	Public Safety	-	-	-	4,606,120
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	43,821	-	-	-
Total Expenditures:		43,821	-	-	5,034,298
Excess (Deficiency) Revenues over Expenditures:		(39,838)	314,420	723,825	(5,034,298)
<b>Other Increases in Fund Resources</b>					
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:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	332
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	201,725	200,000	100,624
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	201,725	200,000	100,956
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(39,838)</b>	<b>112,695</b>	<b>523,825</b>	<b>(5,135,254)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	79,887	207,625	883,853	260
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>79,887</b>	<b>207,625</b>	<b>883,853</b>	<b>260</b>

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, 2023**

		<b>150</b>	<b>200 Debt</b>	<b>300</b>	
		<b>Transportation</b>	<b>Service Fund</b>	<b>Transportation</b>	<b>301 REET</b>
		<b>Benefit District</b>		<b>Capital</b>	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	151,522	176,713	2,443,880	2,951,069
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	455,061	1,055,371	-	1,841,162
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,891,390	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15,459	-	556,783	180,703
Total Revenues:		470,520	1,055,371	2,448,173	2,021,865
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	1,373,593	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	1,373,593	-
Excess (Deficiency) Revenues over Expenditures:		470,520	1,055,371	1,074,580	2,021,865
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	2,143,913	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	2,143,913	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	3,037,408	-
591-593, 599	Debt Service	-	1,059,500	-	-
597	Transfers-Out	450,000	-	140,000	2,163,622
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		450,000	1,059,500	3,177,408	2,163,622
<b>Increase (Decrease) in Cash and Investments:</b>		<b>20,520</b>	<b>(4,129)</b>	<b>41,085</b>	<b>(141,757)</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	172,042	172,584	2,484,966	2,809,311
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>172,042</b>	<b>172,584</b>	<b>2,484,966</b>	<b>2,809,311</b>

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, 2023**

		<b>303 Park Capital</b>	<b>304 Walkways &amp; Waterways Project</b>	<b>306 Sammamish Bridge</b>	<b>307 Public Works Shop Fund</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,604,872	59,963	617,135	429,799
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	307,956	-	1,112,082	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	22,650	330,974	830	-
Total Revenues:		330,606	330,974	1,112,912	-
<b>Expenditures</b>					
510	General Government	-	1,919	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,919	-	-
Excess (Deficiency) Revenues over Expenditures:		330,606	329,055	1,112,912	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	201,725	-	-	514,709
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		201,725	-	-	514,709
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	1,151,941	-	1,044,318	219,105
591-593, 599	Debt Service	-	-	-	295,604
597	Transfers-Out	100,000	-	50,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,251,941	-	1,094,318	514,709
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(719,610)</b>	<b>329,055</b>	<b>18,594</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	885,263	389,017	635,730	429,799
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>885,263</b>	<b>389,017</b>	<b>635,730</b>	<b>429,799</b>

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, 2023**

		<b>401 Surface Water Management</b>	<b>501 Equipment Replacement</b>
<b>Beginning Cash and Investments</b>			
308	Beginning Cash and Investments	3,913,400	690,535
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	155,000	-
340	Charges for Goods and Services	3,190,465	95,870
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	340,297	25,729
Total Revenues:		3,685,762	121,599
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	2,092,168	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		2,092,168	-
Excess (Deficiency) Revenues over Expenditures:		1,593,594	121,599
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	26,002	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		26,002	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	2,847,482	32,889
591-593, 599	Debt Service	47,220	-
597	Transfers-Out	572,471	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		3,467,173	32,889
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,847,577)</b>	<b>88,710</b>
<b>Ending Cash and Investments</b>			
50821	Nonspendable	-	-
50831	Restricted	2,065,823	-
50841	Committed	-	-
50851	Assigned	-	779,245
50891	Unassigned	-	-
<b>Total Ending Cash and Investments</b>		<b>2,065,823</b>	<b>779,245</b>

*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, 2023**

		<u>Custodial</u>
308	Beginning Cash and Investments	6,052
388 & 588	Net Adjustments	-
310-390	Additions	564,137
510-590	Deductions	<u>563,823</u>
	Net Increase (Decrease) in Cash and Investments:	314
508	Ending Cash and Investments	6,366

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

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2023**

**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 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, and the Public Art Fund. The ARPA fund, closed effective December 31, 2023, held the City's Coronavirus State and Local Fiscal Recovery Funds which were completed expended in 2023.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2023**

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, 2023, liability for compensated absences is \$515,334.

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 \$1,005,143. 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 \$880,998 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 \$172,584. 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:

<b>Budgeted Funds</b>	<b>Financial Statement Funds</b>
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, 2023**

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

The 2023-2024 biennial budgeted expenditures, as amended on December 4, 2023, are as follows:

<b>FUND</b>	<b>2023-2024 Adopted Biennium Budget</b>	<b>2023 Mid Biennium Amendment</b>	<b>2023-2024 Amended Biennium Budget</b>
General Fund	\$ 31,828,425	\$ 1,483,876	\$ 33,312,301
Street Fund	3,804,980	(21,198)	3,783,782
KAPE Fund	641,200	(100,000)	541,200
Public Art Fund	-	-	-
Transportation Benefit District	700,000	480,000	1,180,000
ARPA Fiscal Recovery Fund	4,932,411		4,932,411
2016 UTGO Debt Service Fund	2,116,750	-	2,116,750
Transportation Capital Fund	5,636,383	5,409,028	11,045,411
Real Estate Excise Tax Fund	5,848,900	806,301	6,655,201
Walkways & Waterways Project Fund	-	-	-
Park Capital Fund	775,700	1,297,500	2,073,200
Park Impact Fee Fund	-	157,500	157,500
Transportation Impact Fee fund	700,000		700,000
Sammamish River Bridge Fund	1,381,785		1,381,785
Public Works Shop fund	15,951,006	2,924,598	18,875,604
Surface Water Management Fund	12,497,329	4,696,378	17,193,707
Equipment Replacement Fund	470,000	-	470,000
<b>TOTAL</b>	<b>\$ 87,284,869</b>	<b>\$ 17,133,983</b>	<b>\$ 104,418,852</b>

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The appropriated and actual expenditures for the legally adopted budgets were as follows:

<b>FUND</b>	<b>2023-2024 Amended Biennium Budget</b>	<b>2023 Actual Expenditures</b>	<b>Variance</b>
General Fund	\$ 33,312,301	\$ 11,647,872	\$ 21,664,429
Street Fund	3,783,782	1,601,423	2,182,359
KAPE Fund	541,200	197,207	343,993
Public Art Fund	-	43,821	(43,821)
Transportation Benefit District	1,180,000	450,000	730,000
ARPA Fiscal Recovery Fund	4,932,411	5,135,254	(202,843)
2016 UTGO Debt Service Fund	2,116,750	1,059,500	1,057,250
Transportation Capital Fund	11,045,411	4,551,000	6,494,411
Real Estate Excise Tax Fund	6,655,201	2,163,622	4,491,579
Walkways & Waterways Project Fund	-	1,919	(1,919)
Park Capital Fund	2,073,200	1,251,941	821,259
Park Impact Fee Fund	157,500	201,725	(44,225)
Transportation Impact Fee fund	700,000	200,000	500,000
Sammamish River Bridge Fund	1,381,785	1,094,318	287,467
Public Works Shop fund	18,875,604	514,709	18,360,895
Surface Water Management Fund	17,193,707	5,559,340	11,634,367
Equipment Replacement Fund	470,000	32,889	437,111
<b>TOTAL</b>	<b>\$ 104,418,852</b>	<b>\$ 35,706,540</b>	<b>\$ 68,712,312</b>

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, 2023, are as follows:

<b>Type of Deposit or Investment</b>	<b>City of Kenmore's own Deposits and Investments</b>	<b>Deposits &amp; Investments held by City of Kenmore as an agent</b>	<b>Total</b>
Bank Deposits	\$ 4,901,031	\$ 880,998	\$ 5,782,029
Local Government Investment Pool	16,016,226	-	16,016,226
U.S. Government Securities	7,996,434	-	7,996,434
<b>Total</b>	<b>\$ 28,913,692</b>	<b>\$ 880,998</b>	<b>\$ 29,794,690</b>

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The City of 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](http://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, 2023, 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 2023 was \$0.69715 per \$1,000 of an assessed valuation of \$8,131,404,954 (after exemptions) for a total regular levy of \$5,668,827.

In 2023, the City also levied \$0.13132 per \$1,000 for repayment of the Walkways & Waterways Bonds issued in December 2016 for a total additional levy of \$1,059,456.

**NOTE 5 – INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2023:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 1/1/2023</b>	<b>New Loans</b>	<b>Payments</b>	<b>Balance 12/31/2023</b>
Public Works Shop Fund	General fund	\$550,000	\$0	\$0	\$550,000
Total		\$550,000	\$0	\$0	\$550,000

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 Xerox Corporation for \$244 per month under a 5-year lease agreement, which can be cancelled with 30 days' notice with certain restrictions. The City leases the AV equipment located in the City Council Chambers from Huntington Finance with final lease payment of \$40,441 occurring in early 2024. The City leases one (1) postage meter from Quadient Leasing for \$195 per month under a 5-year lease agreement which can be cancelled with certain restrictions.

The total amount paid for leases in 2023 was \$50,577. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31	Total
2024	46,201
2025	5,277
2026	5,277
2027	5,277
2028	2,833

**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, 2023, totaled \$662,364. The purpose of this loan is to replace an existing culvert along the east side of 61<sup>st</sup> Ave NE and intersects with NE 190<sup>th</sup> 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

**CITY OF KENMORE**  
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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.

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 the year ended December 31, 2023.

<b>Purpose</b>	<b>Maturity Range</b>	<b>Interest Rate</b>	<b>Issued Amount</b>	<b>Outstanding 12/31/2023</b>
Unlimited Tax General Obligation Bonds - 2016	2017-2036	2% - 4%	\$ 9,220,000	\$ 5,300,000
Unlimited Tax General Obligation Bonds - 2021	2021-2040	3% - 4%	\$ 8,920,000	\$ 8,210,000
Public Works Trust Fund Loan	6/1/2038	1.66%	\$ 662,364	\$ 565,674
State of Washington Certificates of Participation Series 2021C	2021-2041	2.42%	\$ 2,605,000	\$ 2,450,000
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:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	375,000	157,800	532,800
2029-2033	2,100,000	552,800	2,652,800
2034-2036	1,470,000	119,200	1,589,200
<b>Total</b>	<b>\$ 5,300,000</b>	<b>\$ 1,596,000</b>	<b>\$ 6,896,000</b>

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The debt service requirements for the 2021 Unlimited Tax General Obligation Bonds are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	305,000	219,000	524,000
2029-2033	1,700,000	928,500	2,628,500
2034-2038	3,060,000	630,450	3,690,450
2039-2040	2,020,000	91,350	2,111,350
<b>Total</b>	<b>\$ 8,210,000</b>	<b>\$ 2,848,250</b>	<b>\$ 11,058,250</b>

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	105,000	104,000	209,000
2029-2033	615,000	435,500	1,050,500
2034-2038	785,000	265,750	1,050,750
2039-2041	575,000	58,250	633,250
<b>Total</b>	<b>\$ 2,450,000</b>	<b>\$ 1,327,000</b>	<b>\$ 3,777,000</b>

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	105,137	75,765	180,902
2029-2033	582,663	321,850	904,513
2034-2038	690,351	214,159	904,510
2039-2043	817,941	86,570	904,511
<b>Total</b>	<b>\$ 2,582,728</b>	<b>\$ 1,035,318</b>	<b>\$ 3,618,046</b>

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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](http://www.drs.wa.gov).

As of June 30, 2023, 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 12/31/2023
	Employer Contributions	Allocation Percentage		
PERS 1	\$ 19,031	0.002793%	2,282,732,000	\$ 63,756.70
PERS 1 UAAL	\$ 177,537	0.026053%	2,282,732,000	\$ 594,720.17
	\$ 196,568	<i>Total Net Pension Liability (Schedule 09)</i>		\$ 658,476.87
PERS 2 and 3	\$ 295,114	0.033565%	(4,098,683,000)	\$ (1,375,722.95)
		<i>Total Net Pension Assets</i>		\$ (1,375,722.95)

**NOTE 9 – JOINT VENTURES**

**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 Beaux Arts Village, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Sammamish, Woodinville, Yarrow Point, and King County have joined ARCH.



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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 \$62,304 in 2023 (3.3 percent of the Coalition's \$1,874,248 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**

The eCityGov Alliance was formed in 2001 by nine cities located in the Puget Sound region of Washington State. The cities partnered to form an inter-local agency with a mission of providing convenient and consistent online services to the public. The current principal partners of the Alliance are the cities of Bellevue, Issaquah, Kenmore, Kirkland, Sammamish, and Snoqualmie. 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 \$19,363 in 2023.

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, P.O. Box 90012, Bellevue, WA 98009-9012 or online at: <https://ecitygov.net/about>

**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).



**CITY OF KENMORE**  
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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.

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 \$54,026 for 2023.

**Regional Crisis Response Agency (RCR)**

In 2022, the cities of Kenmore, Bothell, Kirkland, Lake Forest Park and Shoreline decided to expand the existing North Sound RADAR (Response Awareness, De-Escalation, and Referral) Navigator program to better meet the behavioral health needs of the residents of North King County. In November of 2022, the City Councils of each partner city adopted an Interlocal Agreement (ILA) as well as articles of incorporation to form a new Regional Crisis Response (RCR) Agency. RCR provides consolidated and standardized regional mobile crisis response services for the five-city region. In 2023, the City paid their per-capita share of one-time start-up costs of \$40,566 and paid on-going contributions of \$123,633.

**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 169 members.

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

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

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

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

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

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

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

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

**NOTE 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 2023.

<b>2023</b>		<b>2023</b>	
<b>Transfers From Fund:</b>	<b>Amount</b>	<b>Transfers To Fund:</b>	<b>Amount</b>
General Fund	\$ 28,000	Public Works Shop Fund	\$ 28,000
General Fund	400,000	Streets Fund	400,000
Street Fund	52,000	Public Works Shop Fund	52,000
Park Impact Fee Fund	201,725	Park Capital Fund	201,725
Transportation Impact Fund	200,000	Transportation Capital Fund	200,000
ARPA	100,624	General Fund	100,624
Transportation Benefit District	450,000	Streets Fund	450,000
Transportation Capital Fund	140,000	General Fund	140,000
REET Fund	219,709	Public Works Shop Fund	219,709
REET Fund	1,943,913	Transportation Capital Fund	1,943,913
Park Capital Fund	100,000	General Fund	100,000
Sammamish Bridge Replacement	50,000	General Fund	50,000
Surface Water Management Fund	215,000	Public Works Shop Fund	215,000
Surface Water Management Fund	357,471	General Fund	357,471
<b>TOTAL</b>	<b>\$ 4,458,442</b>	<b>TOTAL</b>	<b>\$ 4,458,442</b>

**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

**CITY OF KENMORE**  
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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, 2023, 264 cities/towns/non-city entities participate and have enrollment 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 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million 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 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

**CITY OF KENMORE**  
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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, 2023.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	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	5,610,000	-	310,000	5,300,000
251.12	Voted General Obligation Bond-2021	12/1/2040	8,475,000	-	265,000	8,210,000
263.96	State of Washington Certificates of Participation Series 2021C	12/1/2041	2,530,000	-	80,000	2,450,000
263.87	PW Trust Fund Loan	6/1/2038	577,383	26,002	37,712	565,673
<b>Total General Obligation Debt/Liabilities:</b>			<b>19,775,111</b>	<b>26,002</b>	<b>692,712</b>	<b>19,108,401</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		511,097	4,237	-	515,334
264.30	Net Pension Liability		912,270	-	253,793	658,477
263.57	Photocopier Lease - 1st Floor (old copier)	4/1/2023	2,456	-	2,456	-
263.57	Photocopier Lease - 1st Floor (new copier)	2/1/2028	-	14,668	2,445	12,223
263.57	Photocopier Lease - 2nd Floor	2/1/2024	3,383	-	2,900	483
263.57	AV Equipment - Council Room	3/1/2025	80,881	-	40,441	40,440
263.57	Postage Meter	12/1/2028	-	11,720	-	11,720
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,510,087</b>	<b>30,625</b>	<b>302,035</b>	<b>1,238,677</b>
<b>Total Liabilities:</b>			<b>21,285,198</b>	<b>56,627</b>	<b>994,747</b>	<b>20,347,078</b>

## 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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