



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

**Financial Statements Audit Report**  
**City of Kenmore**

**For the period January 1, 2019 through December 31, 2019**

**Published December 17, 2020**

**Report No. 1027427**





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

December 17, 2020

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 condition.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Kenmore  
January 1, 2019 through December 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 9, 2020.

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.

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 10.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are

appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

December 9, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Kenmore January 1, 2019 through December 31, 2019

Council  
City of Kenmore  
Kenmore, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Kenmore, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

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

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the City’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Kenmore, and its changes in cash and investments, for the year ended December 31, 2019, on the basis of accounting described in Note 1.

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

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Kenmore, as of December 31, 2019, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.



## **Matter of Emphasis**

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 10. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

December 9, 2020

## **FINANCIAL SECTION**

### **City of Kenmore January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to the Financial Statements – 2019

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

Schedule of Liabilities – 2019

**City of Kenmore**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>101 Street</b>	<b>110 Public Arts</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	18,057,950	124,145	928,435	69,514
30880	Unreserved	8,288,781	8,288,781	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	12,798,500	9,701,569	-	-
320	Licenses and Permits	1,277,609	1,277,609	-	-
330	Intergovernmental Revenues	3,362,580	538,608	514,944	-
340	Charges for Goods and Services	3,655,636	624,470	158,580	-
350	Fines and Penalties	104,363	104,363	-	-
360	Miscellaneous Revenues	1,004,880	473,613	13,730	1,284
Total Revenues:		22,203,568	12,720,232	687,254	1,284
<b>Expenditures</b>					
510	General Government	4,296,613	4,296,613	-	-
520	Public Safety	4,045,961	4,045,961	-	-
530	Utilities	1,083,404	-	-	-
540	Transportation	2,434,167	407,516	1,912,268	-
550	Natural and Economic Environment	2,021,536	2,021,536	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	355,171	355,171	-	-
Total Expenditures:		14,236,852	11,126,797	1,912,268	-
Excess (Deficiency) Revenues over Expenditures:		7,966,716	1,593,435	(1,225,014)	1,284
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,665,529	225,000	2,340,529	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	4,855	4,855	-	-
381, 382, 395, 398	Other Resources	8,680	-	8,680	-
Total Other Increases in Fund Resources:		4,679,064	229,855	2,349,209	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	6,236,221	678,442	154,791	-
591-593, 599	Debt Service	1,223,150	-	-	-
597	Transfers-Out	4,665,529	1,982,529	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		12,124,900	2,660,971	154,791	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>520,880</b>	<b>(837,681)</b>	<b>969,404</b>	<b>1,284</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	19,416,516	124,145	1,897,845	70,798
5088000	Unreserved	7,451,097	7,451,097	-	-
<b>Total Ending Cash and Investments</b>		<b>26,867,613</b>	<b>7,575,242</b>	<b>1,897,845</b>	<b>70,798</b>

**City of Kenmore**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		120 Park Impact	121 Transportation Impact	150 Transportation Benefit District	200 Debt Service Fund
<b>Beginning Cash and Investments</b>					
30810	Reserved	590,514	2,711,967	114,360	189,963
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	353,384	1,219,667
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	92,554	430,137	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	12,130	55,643	4,444	-
Total Revenues:		104,684	485,780	357,828	1,219,667
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		104,684	485,780	357,828	1,219,667
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	1,223,150
597	Transfers-Out	400,000	-	358,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		400,000	-	358,000	1,223,150
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(295,316)</b>	<b>485,780</b>	<b>(172)</b>	<b>(3,483)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	295,198	3,197,747	114,188	186,480
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>295,198</b>	<b>3,197,747</b>	<b>114,188</b>	<b>186,480</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, 2019**

		<b>300</b>			<b>304 Walkways &amp;</b>
		<b>Transportation</b>	<b>301 REET</b>	<b>303 Park Capital</b>	<b>Waterways</b>
		<b>Capital</b>			<b>Project</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,307,871	771,265	130,204	6,793,792
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	1,523,880	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,158,542	-	98,470	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	18,500	38,026	-	188,407
Total Revenues:		1,177,042	1,561,906	98,470	188,407
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	114,383	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		114,383	-	-	-
Excess (Deficiency) Revenues over Expenditures:		1,062,659	1,561,906	98,470	188,407
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	200,000	-	1,900,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		200,000	-	1,900,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,515,130	-	2,036,297	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	900,000	25,000	600,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,515,130	900,000	2,061,297	600,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,252,471)</b>	<b>661,906</b>	<b>(62,827)</b>	<b>(411,593)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	55,400	1,433,170	67,377	6,382,199
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>55,400</b>	<b>1,433,170</b>	<b>67,377</b>	<b>6,382,199</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, 2019**

	<b>306 Sammamish Bridge</b>	<b>401 Surface Water Management</b>	<b>501 Equipment Replacement</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	1,422,450	2,384,819
30880	Unreserved	-	-
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	1,002,016	50,000
340	Charges for Goods and Services	-	2,282,754
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	189,426
Total Revenues:		1,002,016	2,522,180
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	1,083,404
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	1,083,404
Excess (Deficiency) Revenues over Expenditures:		1,002,016	1,438,776
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	494,131	337,824
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	400,000
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		494,131	737,824
<b>Increase (Decrease) in Cash and Investments:</b>		<b>507,885</b>	<b>700,952</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	1,930,335	3,085,771
5088000	Unreserved	-	-
<b>Total Ending Cash and Investments</b>		<b>1,930,335</b>	<b>3,085,771</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, 2019**

		<u>Custodial</u>
308	Beginning Cash and Investments	826,162
388 & 588	Net Adjustments	-
310-390	Additions	313,965
510-590	Deductions	310,571
	Net Increase (Decrease) in Cash and Investments:	3,394
508	Ending Cash and Investments	829,555

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



**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

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 are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash, 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. 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 and is combined with the General Fund for financial reporting purposes. 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 Arterial Street Fund had previously been classified as a Special Revenue Fund. Beginning in 2011 it has been reclassified as a Capital Project Fund because it is used to account for all resources and expenditures related to transportation capital projects and in 2013 was renamed as the Transportation Capital Fund. The Park Impact Fee Fund and the Transportation Impact Fee Fund had been classified as Special Revenue Funds through 2016 and are now classified as Capital Project Funds. The Special Revenue Funds as of 2017 are the Street Fund, the Transportation Benefit District Fund (as of December 7, 2016) and the Public Art Fund.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

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 Issue.

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 Transportation Capital Fund (previously known as the Arterial Street Fund) has been reclassified to a Capital Project Fund because it is used to account for all resources and expenditures related to transportation capital projects. Other Capital Project Funds are the 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 and the Park Capital Fund.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily with 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 an agent on behalf of others.

Agency Funds

These funds are used to account for assets that the City holds for others in an agency capacity. The City's Trust and Agency Fund, and the Flexible Spending Fund are agency funds of the Fiduciary Fund type.

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. Budgets

The City of Kenmore adopts biennial appropriated budgets for all funds except the Trust and Agency Fund and the Flexible Spending Fund. 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.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 Kenmore Village Fund (closed in 2018)	General Fund
Surface Water Management Fund Surface Water Capital Fund Swamp Creek Basin Fund	Surface Water Management Fund

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

The 2019-2020 biennial budgeted expenditures, as amended on November 25, 2019 are as follows:

<b>FUND</b>	<b>2019-2020 Adopted Biennial Budget</b>	<b>2019 Mid Biennium Amendment</b>	<b>2019-2020 Amended Biennial Budget</b>
General Fund	\$ 25,927,871	\$ 2,599,000	\$ 28,526,871
Street Fund	3,634,778	1,000,000	4,634,778
Public Art Fund	21,000	0	21,000
Transportation Benefit District	716,000	0	716,000
UTGO 2016 Bonds	1,752,800	0	1,752,800
Transportation Capital Fund	23,880,759	0	23,880,759
Real Estate Excise Tax Fund	5,205,050	0	5,205,050
Walkways & Waterways Bonds	8,685,794	0	8,685,794
Park Capital Fund	3,909,000	312,119	4,221,119
Park Impact Fee Fund	347,000	120,000	467,000
Transportation Impact Fee Fund	1,216,663	0	1,216,663
Sammamish River Bridge Fund	21,623,056	465,240	22,088,296
Public Works Shop Fund	2,000,000	0	2,000,000
Surface Water Management Fund	7,058,569	925,240	7,983,809
Equipment Replacement Fund	110,000	39,000	149,000
<b>TOTAL</b>	<b>\$ 106,088,340</b>	<b>\$ 5,460,599</b>	<b>\$ 111,548,939</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>2019-2020 Amended</b>	<b>2019 Actual</b>	
<b>FUND</b>	<b>Biennial Budget</b>	<b>Expenditures</b>	<b>Variance</b>
General Fund	\$ 28,526,871	\$ 13,787,768	\$ 14,739,103
Street Fund	4,634,778	2,067,059	2,567,719
Public Art Fund	21,000	0	21,000
Transportation Benefit District	716,000	358,000	358,000
UTGO 2016 Bonds	1,752,800	1,223,150	529,650
Transportation Capital Fund	23,880,759	2,629,513	21,251,246
Real Estate Excise Tax Fund	5,205,050	900,000	4,305,050
Walkways & Waterways Bonds	8,685,794	600,000	8,085,794
Park Capital Fund	4,221,119	2,061,297	2,159,822
Park Impact Fee Fund	467,000	400,000	67,000
Transportation Impact Fee Fund	1,216,663	0	1,216,663
Sammamish River Bridge Fund	22,088,296	494,131	21,594,165
Public Works Shop Fund	2,000,000	0	2,000,000
Surface Water Management Fund	7,983,809	2,148,176	5,835,633
Equipment Replacement Fund	149,000	19,606	129,394
<b>TOTAL</b>	<b>\$ 111,548,939</b>	<b>\$ 26,688,700</b>	<b>\$ 84,860,239</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.

D. Cash and Investments

See Note 3. Deposits and Investments

E. Capital Assets

Capital assets are long-lived assets of the City with an initial cost of \$15,000 or more and are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon termination, resignation, retirement or death.

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, 2019 liability for compensated absences is \$304,893.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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G. Long-Term Debt

See Note 6, Debt Service Requirements

H. 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 2019:

<b>Transfers From:</b>		<b>Transfers To:</b>	
General Fund	\$1,982,529	Street Fund	\$2,340,529
Transportation Benefit District	358,000	Transportation Capital Fund	200,000
Park Impact Fee Fund	400,000	Park Capital Fund	1,900,000
Real Estate Excise Tax Fund	900,000	General Fund	225,000
Park Capital	25,000		
W & W Bond Project Fund	600,000		
Surface Water Mgt Fund	400,000		
<b>TOTAL</b>	<b>\$4,665,529</b>	<b>TOTAL</b>	<b>\$4,665,529</b>

I. 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 163 members.

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members’ deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members’ deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for

**CITY OF KENMORE**  
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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.

**J. Reserved Portion of Ending Cash and Investments**

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

The General Fund Balance includes a reservation of \$124,145. This amount 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.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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 for deposits is the risk that, in event of a failure of a depository financial institution, the City of Kenmore 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's deposits and

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

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 government's name.

Investments are reported at original cost. Deposits and investments by type as of December 31, 2019 are as follows:

Type of Deposit or Investment	City of Kenmore's Deposits/Investments	Deposits and Investments held by City of Kenmore as a custodian for other private organizations	<u>Total</u>
Bank Deposits and Petty Cash	\$6,481,614	\$829,555	\$7,311,169
Certificates of Deposit	1,000,000	0	1,000,000
Local Govt Investment Pool	13,184,910	0	13,184,910
U.S. Government Securities	7,063,549	0	7,063,549
<b>Total Deposits and Investment</b>	<b>\$27,730,073</b>	<b>\$829,555</b>	<b>\$28,559,628</b>

**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 monthly by electronic transfer to the City's bank account as they are collected by the County.

**Property Tax Calendar**

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

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 taxes are levied.

The City's regular levy for 2019 was \$1.04164 per \$1,000 of an assessed valuation of \$4,851,021,824 (after exemptions) for a total regular levy of \$5,052,998.

In 2019 the City also levied \$0.25312 per \$1,000 for repayment of the Walkways & Waterways Bonds issued in December 2016 for a total additional levy of \$1,219,990.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5 – INTERFUND LOANS AND ADVANCES**

There were no interfund loans or advances in 2019.

**NOTE 6 – DEBT SERVICE REQUIREMENTS**

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.

Purpose	Maturity Range	Interest Rate	Issued Amount	Outstanding 12/31/2019
Unlimited Tax General Obligation Bonds, 2016	2017-2036	2.0% -4.0%	\$9,220,000	\$6,495,000

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

Year	Principal	Interest	Total
2020	285,000	244,650	529,650
2021	295,000	236,100	531,100
2022	305,000	227,250	532,250
2023	310,000	218,100	528,100
2024	320,000	208,800	528,800
2025-2029	1,795,000	858,000	2,653,000
2030-2034	2,185,000	468,800	2,653,800
2035-2036	1,000,000	60,400	1,060,400
Totals	6,495,000	2,522,100	9,017,100

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year ended December 31, 2019.

**NOTE 7 – 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.



**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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).

At June 30, 2019 the City of Kenmore’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, is shown on the following table.

Plan	DRS-Schedule of Employer and Nonemployer Allocations		DRS-Schedule of Collective Pension Amounts	Ending Balance 12/31/2019
	Employer Contributions	Allocation Percentage		
PERS 1	\$ 33,110	0.004618%	3,845,355,000	\$ 177,578.49
PERS 1 UAAL	\$ 154,102	0.021491%	3,845,355,000	\$ 826,405.24
PERS 2 and 3	\$ 226,568	0.027741%	971,340,000	\$ 269,459.43
	\$413,780	<i>Total Net Pension Liability (Schedule 09)</i>		\$ 1,273,443.17

**NOTE 8 – PRIOR YEAR ADJUSTMENT**

There were no prior year adjustments in 2019.

**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.

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. 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

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

population. The City of Kenmore's contribution was \$29,793 in 2019 (5.4 percent of the Coalition's \$546,401 budget). The City's contribution to the Trust Fund was \$40,000.

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 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, 16225 NE 87th Street,  
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. 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 \$15,733 in 2019.

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.

The current agreement, effective January 1 2017, was negotiated and executed in December 2016. This agreement is for a three-year term and establishes Kenmore's cost sharing responsibility to be 30.75% or \$46,325 for 2019.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

**Kenmore Waterfront Activities Center**

In 2018 The City entered into an agreement with the Northshore Canoe and Kayak Club (NCKC) for public recreational programming. NCKC is a Washington Non-Profit Corporation. The Kenmore Mayor's spouse is one of three principals and is the registered agent; she receives no compensation. The agreement grants NCKC the right to utilize City park property to provide rowing, paddling and similar recreational programming and instruction as well as store equipment and boats. The City agreed to contribute up to \$40,100 for acquisition, repair, and maintenance of boats and equipment; \$31,047 was expended in 2018. The agreement is for the period April 1, 2018 to December 31, 2020.

NOTE 10 – OTHER DISCLOSURES AND SUBSEQUENT EVENTS

Health & 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, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

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

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

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

Subsequent Event

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The City of Kenmore conservatively estimates up to \$1.7M in lost revenue during 2020. City administration immediately made adjustments in the budget to reduce or eliminate discretionary costs of approximately \$1.0M. The City has cash reserves of over \$7M which are expected to be sufficient to cover other temporary revenue shortfalls.

The length of time these measures will be in place, and the full extent of the financial impact on the City of Kenmore is unknown at this time.

Construction Commitments

The City had no significant liabilities outstanding for construction projects as of December 31, 2019.

**City of Kenmore  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.12	Voted General Obligation Bond	12/1/2036	7,445,000	-	950,000	6,495,000
	<b>Total General Obligation Debt/Liabilities:</b>		<b>7,445,000</b>	<b>-</b>	<b>950,000</b>	<b>6,495,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		296,594	8,298	-	304,892
264.30	Net Pension Liability		1,539,162	-	265,719	1,273,443
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>1,835,756</b>	<b>8,298</b>	<b>265,719</b>	<b>1,578,335</b>
	<b>Total Liabilities:</b>		<b>9,280,756</b>	<b>8,298</b>	<b>1,215,719</b>	<b>8,073,335</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(564) 999-0950
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>