



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Kenmore

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

Published September 27, 2021

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

September 27, 2021

Council
City of Kenmore
Kenmore, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Kenmore's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Kenmore January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Kenmore are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
21.019	COVID-19 Coronavirus Relief Fund

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Kenmore January 1, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 21, 2021.

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 11 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 11.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2021

INDEPENDENT AUDITOR'S REPORT

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

City of Kenmore January 1, 2020 through December 31, 2020

Council
City of Kenmore
Kenmore, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Kenmore January 1, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

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, 2020, 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, 2020, 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.

Matters of Emphasis

As discussed in Note 11 to the 2020 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the City is unknown. Management’s plans in response to this matter are also described in Note 11. 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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 September 21, 2021 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

September 21, 2021

FINANCIAL SECTION

City of Kenmore January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to the Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

City of Kenmore
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General	101 Street	110 Public Arts
Beginning Cash and Investments					
308	Beginning Cash and Investments	26,867,613	7,575,242	1,897,845	70,798
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	12,561,036	9,944,778	-	-
320	Licenses and Permits	1,311,554	1,311,554	-	-
330	Intergovernmental Revenues	12,241,958	1,638,709	461,357	-
340	Charges for Goods and Services	4,455,252	1,025,764	111,287	-
350	Fines and Penalties	59,333	59,333	-	-
360	Miscellaneous Revenues	1,884,121	409,634	11,620	1,031
Total Revenues:		32,513,254	14,389,772	584,264	1,031
Expenditures					
510	General Government	4,772,720	4,772,720	-	-
520	Public Safety	4,106,056	4,106,056	-	-
530	Utilities	1,705,095	-	-	-
540	Transportation	3,179,933	312,469	1,848,072	-
550	Natural/Economic Environment	2,652,270	2,652,270	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	361,249	358,979	-	2,270
Total Expenditures:		16,777,323	12,202,494	1,848,072	2,270
Excess (Deficiency) Revenues over Expenditures:		15,735,931	2,187,278	(1,263,808)	(1,239)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	199,767	-	-	-
397	Transfers-In	7,630,420	185,000	977,955	84,473
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	3,253,409	938,066	-	-
Total Other Increases in Fund Resources:		11,083,596	1,123,066	977,955	84,473
Other Decreases in Fund Resources					
594-595	Capital Expenditures	20,811,416	175,220	5,198	-
591-593, 599	Debt Service	536,212	-	-	-
597	Transfers-Out	7,630,420	1,279,955	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,436,459	2,436,459	-	-
Total Other Decreases in Fund Resources:		31,414,507	3,891,634	5,198	-
Increase (Decrease) in Cash and Investments:		(4,594,980)	(581,290)	(291,051)	83,234
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,743,926	947,623	1,606,797	154,032
50841	Committed	-	-	-	-
50851	Assigned	482,376	-	-	-
50891	Unassigned	6,046,329	6,046,329	-	-
Total Ending Cash and Investments		22,272,631	6,993,952	1,606,797	154,032

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, 2020

		120 Park Impact	121 Transportation Impact	150 Transportation Benefit District	200 Debt Service Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	295,198	3,197,747	114,188	186,480
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	369,122	532,604
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	106,474	470,970	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,737	25,332	1,576	-
Total Revenues:		110,211	496,302	370,698	532,604
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		110,211	496,302	370,698	532,604
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	529,650
597	Transfers-Out	67,000	1,091,446	358,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		67,000	1,091,446	358,000	529,650
Increase (Decrease) in Cash and Investments:		43,211	(595,144)	12,698	2,954
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	338,409	2,602,602	126,886	189,434
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		338,409	2,602,602	126,886	189,434

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, 2020

		300 Transportation Capital	301 REET	303 Park Capital	304 Walkways & Waterways Project
Beginning Cash and Investments					
308	Beginning Cash and Investments	55,400	1,433,170	67,377	6,382,199
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	1,714,532	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	634,704	-	765,020	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	325,499	19,942	-	52,792
Total Revenues:		960,203	1,734,474	765,020	52,792
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	1,019,392	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,019,392	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(59,189)	1,734,474	765,020	52,792
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,941,029	-	1,580,947	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		3,941,029	-	1,580,947	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,395,902	-	2,183,283	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	65,000	1,172,228	44,473	3,087,078
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,460,902	1,172,228	2,227,756	3,087,078
Increase (Decrease) in Cash and Investments:		420,938	562,246	118,211	(3,034,286)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	476,337	1,995,415	185,588	3,347,913
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		476,337	1,995,415	185,588	3,347,913

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, 2020

		306 Sammamish Bridge	401 Surface Water Management	501 Equipment Replacement
Beginning Cash and Investments				
308	Beginning Cash and Investments	1,930,335	3,085,771	575,863
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	8,742,168	-	-
340	Charges for Goods and Services	-	2,740,757	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	804,634	224,010	4,314
Total Revenues:		9,546,802	2,964,767	4,314
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	1,705,095	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	1,705,095	-
Excess (Deficiency) Revenues over Expenditures:		9,546,802	1,259,672	4,314
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	199,767	-
397	Transfers-In	861,016	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	2,300,000	-	15,343
Total Other Increases in Fund Resources:		3,161,016	199,767	15,343
Other Decreases in Fund Resources				
594-595	Capital Expenditures	14,630,446	308,224	113,143
591-593, 599	Debt Service	-	6,562	-
597	Transfers-Out	-	465,240	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		14,630,446	780,026	113,143
Increase (Decrease) in Cash and Investments:		(1,922,628)	679,413	(93,486)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	7,707	3,765,183	-
50841	Committed	-	-	-
50851	Assigned	-	-	482,376
50891	Unassigned	-	-	-
Total Ending Cash and Investments		7,707	3,765,183	482,376

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, 2020

		<u>Custodial</u>
308	Beginning Cash and Investments	829,555
388 & 588	Net Adjustments	(823,478)
310-390	Additions	2,701
510-590	Deductions	2,726
	Net Increase (Decrease) in Cash and Investments:	(25)
508	Ending Cash and Investments	6,052

The accompanying notes are an integral part of this statement.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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. (see Notes to 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 presented using classifications that are similar to the ending balance classification 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, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following are the fund types used by the City of Kenmore:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the City of Kenmore. It accounts for all financial resources except those required or elected to be accounted for in another fund. The Strategic Reserve Fund was created to serve as the City’s emergency reserve Fund 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

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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.

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, 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 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 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 4. Deposits and Investments

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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.

E. 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, 2020 liability for compensated absences is \$431,963.

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 \$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.

The Debt Service Fund includes restricted funds from property tax levy in the amount of \$189,434. This amount is to be used for payment of principal and interest on general obligation bonds issued in 2016.

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.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

For the purpose of financial reporting, certain budgeted funds are rolled up to the applicable financial statement funds as follows:

Budgeted Funds	Financial Statement Funds
General Fund Strategic Reserve Fund Strategic Opportunities Fund	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 and November 23, 2020 are as follows:

FUND	2019-2020 Biennial Budget as Amended 11/25/19	2020 Mid Biennium Amendment	2019-2020 Amended Biennium Budget
General Fund	\$ 28,526,871	\$ 4,845,377	\$ 33,372,248
Street Fund	4,634,778		4,634,778
Public Art Fund	21,000		21,000
Transportation Benefit District	716,000		716,000
2016 UTGO Debt Service Fund	1,752,800		1,752,800
Transportation Capital Fund	23,880,759	134,500	24,015,259
Real Estate Excise Tax Fund	5,205,050		5,205,050
Walkways & Waterways Project Fund	8,685,794		8,685,794
Park Capital Fund	4,221,119	69,473	4,290,592
Park Impact Fee Fund	467,000		467,000
Transportation Impact Fee fund	1,216,663		1,216,663
Sammamish River Bridge Fund	22,088,296		22,088,296
Public Works Shop fund	2,000,000		2,000,000
Surface Water Management Fund	7,983,809		7,983,809
Equipment Replacement Fund	149,000		149,000
TOTAL	\$ 111,548,939	\$ 5,049,350	\$ 116,598,289

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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

FUND	2019-2020 Amended Biennial Budget	2019 Actual Expenditures	2020 Actual Expenditures	Variance
General Fund	\$ 33,372,248	\$ 13,787,768	\$ 16,545,359	\$ 3,039,121
Street Fund	4,634,778	2,067,059	1,853,261	714,458
Public Art Fund	21,000	-	2,270	18,730
Transportation Benefit District	716,000	358,000	358,000	-
2016 UTGO Debt Service Fund	1,752,800	1,223,150	529,650	-
Transportation Capital Fund	24,015,259	2,629,513	4,480,295	16,905,451
Real Estate Excise Tax Fund	5,205,050	900,000	1,172,228	3,132,822
Walkways & Waterways Project Fund	8,685,794	600,000	2,487,078	5,598,716
Park Capital Fund	4,290,592	2,061,297	2,228,407	888
Park Impact Fee Fund	467,000	400,000	67,000	-
Transportation Impact Fee fund	1,216,663	-	1,091,446	125,217
Sammamish River Bridge Fund	22,088,296	494,131	14,630,446	6,963,719
Public Works Shop fund	2,000,000	-	-	2,000,000
Surface Water Management Fund	7,983,809	2,148,176	2,757,572	3,078,061
Equipment Replacement Fund	149,000	19,606	113,143	16,251
TOTAL	\$ 116,598,289	\$ 26,688,700	\$ 48,316,155	\$41,593,434

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 – COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Deposits and Investments by type as of December 31, 2020 are as follows:

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

Type of Deposit or Investment	City of Kenmore own Deposits and Investments	Deposits & Investments held by City of Kenmore as an agent	Total
Bank Deposits	6,153,232	807,658	6,960,890
Certificates of Deposit	1,000,000	-	1,000,000
Local Government Investment Pool	11,768,098	-	11,768,098
U.S. Government Securities	5,003,960	-	5,003,961
Total	23,925,290	807,658	24,732,949

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.

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. There were no investments held by the City of Kenmore as an agent for other local governments, individuals, or private organizations.

NOTE 5 – 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.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes tot the property after tax is levied.

The City’s regular levy for 2020 was \$1.00315 per \$1,000 of an assessed valuation of \$5,289,811,966 (after exemptions) for a total regular levy of \$5,306,491.

In 2020 the City also levied \$0.10043 per \$1,000 for repayment of the Walkways & Waterways Bonds issued in December 2016 for a total additional levy of \$529,005

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

NOTE 6 – INTERFUND LOANS AND ADVANCES

City Council through ordinance number 20-0519 approved an interfund loan from the General Fund to the Sammamish river Bridge Fund in an amount up to \$3.5 million at 0.15% annual interest. The term of the loan is to be from December 31,2020 up to June 30, 2021. The principal amount plus interest, is due and payable before June 30, 2021. There shall be no penalty for prepayment of the loan.

Because the Sammamish River Bridge fund is temporarily in need of cash pending eligible reimbursements from various grants and funding agencies, a transfer in the amount of \$2.3 million was made on December 31,2020.

The following table displays interfund loan activity during 2020:

Borrowing Fund	Lending Fund	Balance 1/1/2020	New Loan	Payments	Balance 12/31/2020
306 Sammamish River Bridge	001 General fund	-0-	\$2,300,000	-0-	\$2,300,000
Total		-0-	\$2,300,000	-0-	\$2,300,000

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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 June 1, 2018 the City entered into 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, 2020 totaled \$199,767. The purpose is to replace an existing 60” culvert along the east side of 61st Ave NE and intersects with NE 190th St. Time of performance is 60 months from execution date of the Contract to project completion.

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Kenmore and summarizes the City’s debt transactions for year ended December 31, 2020.

Purpose	Maturity Range	Inrerest Rate	Issued Amount	Outstanding 12/31/2020
Unlimited Tax General Obligation Bonds - 2016	2017-2036	2% - 4%	9,200,000	6,210,000
Public Works Trust Fund Loan	6/1/2038	1.66%	199,767	193,661

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

Year	Principal	Interest	Total
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	330,000	199,200	529,200
2026-2030	1,870,000	786,200	2,656,200
2031-2035	2,270,000	381,400	2,651,400
2036	510,000	20,400	530,400
Total	6,210,000	2,277,450	8,487,450

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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.

At June 30, 2020 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 Nonemployer Allocations		DRS-Schedule of Collective Pension Liability Amounts	Ending Balance 12/31/2020
	Employer Contributions	Allocation Percentage		
PERS 1	\$ 39,821	0.005495%	3,530,540,000	\$ 194,003.17
PERS 1 UAAL	\$ 167,999	0.023180%	3,530,540,000	\$ 818,379.17
PERS 2 and 3	\$ 278,191	0.030198%	1,278,943,000	\$ 386,215.21
	\$486,011	<i>Total Net Pension Liability (Schedule 09)</i>		\$ 1,398,597.55

NOTE 9 – PRIOR YEAR ADJUSTMENT

There were no prior year adjustments in 2020.

NOTE 10 – 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

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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 population. The City of Kenmore's contribution was \$44,921 in 2020 (4 percent of the Coalition's \$1,110,097 administrative 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 \$5,089 in 2020.

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

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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 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 \$48,111 for 2020.

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. No other expenditures were incurred after 2018. The agreement is for the period April 1, 2018 to December 31, 2020.

NOTE 11 – COVID-19 Pandemic

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

The City's proactive approach to the situation included an immediate assessment of potential loss in revenues from the COVID-19 business closures and halt in operations. An evaluation of available financial resources was made to determine the level of reserves that could if needed be used to tackle the downturn in the economy. Additionally budget expense allocations were evaluated and Citywide cuts of approximately \$1 million were implemented,

Some of the revenues that were negatively impacted by the downturn in the economy include, gas tax, building permit, utility, franchise and gambling fees/revenues. Sales tax revenue, a major revenue source in the General Fund was not affected.

The City continues to monitor the COVID-19 situation and its effects on the economy. The City remains cautious with regards to expenditures and will continue to do so until this situation is over.

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

NOTE 12 – OTHER DISCLOSURES AND SUBSEQUENT EVENTS

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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, 2020, 270 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 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

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

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

It has been over a year since the Governor of the State of Washington declared a state of emergency in response to the COVID-19 virus. On May 13, 2021 Governor Jay Inslee announced that the state is on track to fully reopen the economy by June 30, 2021 with a return to 100% capacity for the vast majority of public spaces. Full reopening could occur sooner than June 30 if 70% of Washington residents over the age of 16 have initiated their COVID vaccinations.

American Rescue Plan (ARPA) funding - The City's allocation of this funding source is approximately \$5 million. The first tranche of the ARPA funding in the amount of \$2.5 million is expected in June 2021 and the second tranche one later. These funds will be used to meet pandemic response needs and rebuild a stronger, more equitable economy.

Construction Commitments

The City had no significant liabilities outstanding for construction projects as of December 31, 2020.

NOTE 13 - 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 162 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sub-limits. The Board of Directors determines the limits and terms of coverage annually.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

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

NOTE 14 – 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 2020.

CITY OF KENMORE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2020

Transfers From:		Transfers To:	
Fund	Amount	Fund	Amount
General fund	619,955	Street	619,955
General fund	660,000	Parks Capital	660,000
Transportation Benefit District	358,000	Streets	358,000
Transportation Capital	65,000	Public Art	65,000
Reet	160,000	General Fund	160,000
Reet	295,000	Park Capital	295,000
Reet	717,228	Transportation Capital	717,228
Walkways & Waterways Fund	2,528,131	Transportation Capital	2,528,131
Walkways & Waterways Fund	558,947	Park Capital	558,947
Park Capital	19,473	Public Art	19,473
Park Capital	25,000	General Fund	25,000
Park Impact	67,000	Park Capital	67,000
Transportation Impact	695,670	Transportation Capital	695,670
Transportation Impact	395,776	Sammamish Bridge	395,776
Surface Water Management	465,240	Sammamish Bridge	465,240
TOTAL	7,630,420	TOTAL	7,630,420

NOTE 15 – SUBSEQUENT EVENTS

- (1) On June 13, 2016 the City Council adopted Bond Election Ordinance No. 16-0422 to place a not to exceed \$19,750,000 bond measure for voter consideration at the November 8, 2016 election to fund projects identified as the Walkways & Waterways projects. Proposition 1, was approved by the voters on November 8, 2016. On December 12, 2016, the City issued the first series of bonds in a par amount of \$9,220,000.

On July 26, 2021, City Council adopted Bond Ordinance No 21-0530 authorizing the second and final series of bonds in an amount not to exceed \$10 million. Bond closing and delivery is estimated to be on or about September 22, 2021.

- 2) On August 30, 2021, City Council approved ordinance No. 21-0532 authorizing the City's participation in the State of Washington Local Program to finance the costs associated with the purchase of two separate properties for future City of Kenmore public works shop. The financing is in the amount of \$5,850,000. This is a general obligation, and the terms will be available at pricing. Pricing is expected in October and closing on November 2021. The financing for the two properties was initially going to be combined into one. However, due to the timing on the closing for the second property, it will not be included with this issue but until 2022. The amount financed in 2021 will be \$3.3 million and the amount financed in 2022 will be \$2,550,000.

**City of Kenmore
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Voted General Obligation Bond	12/1/2036	6,495,000	-	285,000	6,210,000
	Total General Obligation Debt/Liabilities:		6,495,000	-	285,000	6,210,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		304,892	127,071	-	431,963
264.30	Net Pension Liability		1,273,443	125,155	-	1,398,598
263.88	PW Trust Fund Loan	6/1/2038	-	199,765	6,104	193,661
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,578,335	451,991	6,104	2,024,222
	Total Liabilities:		8,073,335	451,991	291,104	8,234,222

City of Kenmore
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-8652 W. Sammamish Bridge-STP	424,819	-	424,819	-	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-8652 W. Sammamish Bridge-BRAC	5,086,403	-	5,086,403	-	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-9775 Local Road Safety - Signing	25,156	-	25,156	-	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-9740 Simonds Road Overlay	355,351	-	355,351	-	123
Total Highway Planning and Construction Cluster:				5,891,729	-	5,891,729	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Distracted Driving Patrol	690	-	690	-	123
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	DUI Patrol	875	-	875	-	123

The accompanying notes are an integral part of this schedule.

City of Kenmore
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
				1,565	-	1,565	-	
		Total Highway Safety Cluster:						
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via King County)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	35,600	-	35,600	-	123
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-209	1,049,400	-	1,049,400	-	123
				1,085,000	-	1,085,000	-	
		Total CFDA 21.019:						
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via City of Lake Forest Park)	Emergency Management Performance Grants	97.042	E17-144 EMPG Grant	10,034	-	10,034	-	123
				6,988,328	-	6,988,328	-	
		Total Federal Awards Expended:						

The accompanying notes are an integral part of this schedule.

KING COUNTY, WASHINGTON
City of Kenmore

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Kenmore's financial statements. The City of Kenmore uses the cash basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Kenmore's portion, are more than shown.

NOTE 3 – Indirect Cost Rate

The City of Kenmore has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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.

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