



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### City of Kenmore

King County

For the period January 1, 2015 through December 31, 2015

Published September 22, 2016

Report No. 1017461





## Washington State Auditor's Office

September 22, 2016

Mayor and City 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,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

|  |    |
|--|----|
| Schedule Of Findings And Questioned Costs.....   | 4  |
| Independent Auditor’s Report On Internal Control Over Financial Reporting And On<br>Compliance And Other Matters Based On An Audit Of Financial Statements Performed In<br>Accordance With Government Auditing Standards ..... | 6  |
| Independent Auditor’s Report On Compliance For Each Major Federal Program And Report<br>On Internal Control Over Compliance In Accordance With The Uniform Guidance .....  | 9  |
| Independent Auditor’s Report On Financial Statements .....   | 12 |
| Financial Section.....   | 15 |
| About The State Auditor’s Office.....  | 34 |

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Kenmore**  
**King County**  
**January 1, 2015 through December 31, 2015**

### 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 of all funds 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 its major federal program.

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

### **Identification of Major Federal Programs:**

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

| <u>CFDA No.</u> | <u>Program or Cluster Title</u>   |
|-----------------|-----------------------------------|
| 20.205          | Highway Planning and Construction |

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 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  
King County  
January 1, 2015 through December 31, 2015**

Mayor and City 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, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 6, 2016.

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 Washington State statutes 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.

## **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 opinion 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

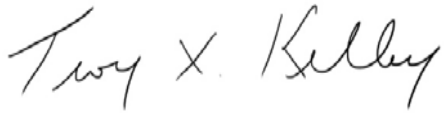
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 6, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Kenmore  
King County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Kenmore  
Kenmore, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Kenmore, King County, Washington, 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, 2015. 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, 2015.

### **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.

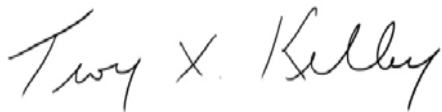
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 6, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Kenmore King County January 1, 2015 through December 31, 2015

Mayor and City Council  
City of Kenmore  
Kenmore, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Kenmore, King County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

#### 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 Washington State statutes 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 an opinion 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 Washington State statutes 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 financial position and results of operations of the City of Kenmore, for the year ended December 31, 2015, 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, 2015, or the changes in financial position or cash flows 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.

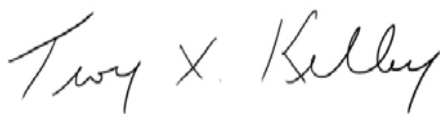
## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying 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 6, 2016 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.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 6, 2016

## **FINANCIAL SECTION**

**City of Kenmore  
King County  
January 1, 2015 through December 31, 2015**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2015  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2015

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2015  
Schedule of Expenditures of Federal Awards – 2015  
Notes to the Schedule of Expenditures of Federal Awards – 2015

**City of Kenmore**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

|   |                                  | Total for All<br>Funds<br>(Memo Only) | 001 General       | 101 Street      |
|---|----------------------------------|---------------------------------------|-------------------|-----------------|
| <b>Beginning Cash and Investments</b>                   |                                  |                                       |                   |                 |
| 30810   | Reserved                         | 8,742,318                             | 124,145           | 901,072         |
| 30880   | Unreserved                       | 10,013,801                            | 10,013,801        | -               |
| 388 & 588   | Prior Period Adjustments, Net    | -                                     | -                 | -               |
| <b>Operating Revenues</b>                               |                                  |                                       |                   |                 |
| 310   | Taxes                            | 9,801,811                             | 8,347,035         | -               |
| 320   | Licenses and Permits             | 1,330,718                             | 1,330,718         | -               |
| 330   | Intergovernmental Revenues       | 4,810,189                             | 373,235           | 450,308         |
| 340   | Charges for Goods and Services   | 4,707,944                             | 633,814           | 375,454         |
| 350   | Fines and Penalties              | 219,514                               | 219,514           | -               |
| 360   | Miscellaneous Revenues           | 219,387                               | 158,381           | 4,458           |
| Total Operating Revenues:                               |                                  | 21,089,563                            | 11,062,697        | 830,221         |
| <b>Operating Expenditures</b>                           |                                  |                                       |                   |                 |
| 510   | General Government               | 3,705,329                             | 3,705,034         | -               |
| 520   | Public Safety                    | 3,837,826                             | 3,837,826         | -               |
| 530   | Utilities                        | 998,392                               | -                 | -               |
| 540   | Transportation                   | 2,560,825                             | 932,003           | 1,041,378       |
| 550   | Natural and Economic Environment | 1,401,028                             | 1,401,028         | -               |
| 560   | Social Services                  | -                                     | -                 | -               |
| 570   | Culture and Recreation           | 531,184                               | 530,637           | -               |
| 598   | Miscellaneous Expenses           | -                                     | -                 | -               |
| Total Operating Expenditures:                           |                                  | 13,034,584                            | 10,406,527        | 1,041,378       |
| Net Operating Increase (Decrease):                      |                                  | 8,054,979                             | 656,169           | (211,158)       |
| <b>Nonoperating Revenues</b>                            |                                  |                                       |                   |                 |
| 370-380, 395 & 398                                      | Other Financing Sources          | 917,914                               | 917,914           | -               |
| 391-393   | Debt Proceeds                    | -                                     | -                 | -               |
| 397   | Transfers-In                     | 5,785,315                             | -                 | 485,430         |
| Total Nonoperating Revenues:                            |                                  | 6,703,229                             | 917,914           | 485,430         |
| <b>Nonoperating Expenditures</b>                        |                                  |                                       |                   |                 |
| 580, 596 & 599  | Other Financing Uses             | -                                     | -                 | -               |
| 591-593   | Debt Service                     | 45,473                                | -                 | -               |
| 594-595   | Capital Expenditures             | 9,577,182                             | 838,225           | 27,935          |
| 597   | Transfers-Out                    | 5,785,315                             | 620,359           | 320,597         |
| Total Nonoperating Expenditures:                        |                                  | 15,407,970                            | 1,458,584         | 348,532         |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                  | <b>(649,762)</b>                      | <b>115,499</b>    | <b>(74,260)</b> |
| <b>Ending Cash and Investments</b>                      |                                  |                                       |                   |                 |
| 5081000   | Reserved                         | 7,977,057                             | 124,145           | 826,812         |
| 5088000   | Unreserved                       | 10,129,301                            | 10,129,301        | -               |
| <b>Total Ending Cash and Investments</b>                |                                  | <b>18,106,358</b>                     | <b>10,253,446</b> | <b>826,812</b>  |



| <b>110 Public Arts</b> | <b>120 Parks Impact Fee</b> | <b>121 Transp. Impact Fee</b> | <b>300 Transportation Capital</b> | <b>301 REET Fund</b> | <b>303 Parks Capital</b> |
|------------------------|-----------------------------|-------------------------------|-----------------------------------|----------------------|--------------------------|
| 67,848                 | 752,774                     | 1,162,934                     | 398                               | 2,414,214            | 567                      |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | 1,454,776            | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | 3,609,777                         | -                    | 49,868                   |
| -                      | 391,313                     | 1,409,888                     | 75,000                            | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| 352                    | 4,934                       | 3,579                         | 18,500                            | 9,881                | -                        |
| 352                    | 396,247                     | 1,413,466                     | 3,703,277                         | 1,464,658            | 49,868                   |
| -                      | -                           | -                             | 295                               | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | 587,443                           | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| 548                    | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| 548                    | -                           | -                             | 587,738                           | -                    | -                        |
| (196)                  | 396,247                     | 1,413,466                     | 3,115,539                         | 1,464,658            | 49,868                   |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | 4,828,316                         | -                    | 471,569                  |
| -                      | -                           | -                             | 4,828,316                         | -                    | 471,569                  |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| -                      | -                           | -                             | 7,899,860                         | -                    | 437,372                  |
| -                      | -                           | 2,360,000                     | -                                 | 2,484,359            | -                        |
| -                      | -                           | 2,360,000                     | 7,899,860                         | 2,484,359            | 437,372                  |
| (196)                  | 396,247                     | (946,534)                     | 43,995                            | (1,019,701)          | 84,065                   |
| 67,652                 | 1,149,021                   | 216,400                       | 44,393                            | 1,394,513            | 84,632                   |
| -                      | -                           | -                             | -                                 | -                    | -                        |
| 67,652                 | 1,149,021                   | 216,400                       | 44,393                            | 1,394,513            | 84,632                   |

| <b>401 Surface<br/>Water<br/>Management</b> | <b>501 Equipment<br/>Replacement</b> |
|---|--------------------------------------|
| 2,863,692                                   | 454,674                              |
| -   | -                                    |
| -   | -                                    |
| -   | -                                    |
| -   | -                                    |
| 327,000                                     | -                                    |
| 1,735,390                                   | 87,086                               |
| -   | -                                    |
| 17,162                                      | 2,141                                |
| <u>2,079,551</u>                            | <u>89,227</u>                        |
| -   | -                                    |
| -   | -                                    |
| 998,392                                     | -                                    |
| -   | -                                    |
| -   | -                                    |
| -   | -                                    |
| -   | -                                    |
| -   | -                                    |
| <u>998,392</u>                              | <u>-</u>                             |
| <u>1,081,159</u>                            | <u>89,227</u>                        |
| -   | -                                    |
| -   | -                                    |
| -   | -                                    |
| <u>-</u>                                    | <u>-</u>                             |
| -   | -                                    |
| -   | -                                    |
| 45,473                                      | -                                    |
| 200,304                                     | 173,486                              |
| -   | -                                    |
| <u>245,777</u>                              | <u>173,486</u>                       |
| <b>835,382</b>                              | <b>(84,259)</b>                      |
| 3,699,074                                   | 370,415                              |
| -   | -                                    |
| <u>3,699,074</u>                            | <u>370,415</u>                       |

**City of Kenmore**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

|  |                                       | <b>Total for All Funds<br/>(Memo Only)</b> | <b>650 Trust/Agency</b> | <b>660 Flexible<br/>Spending Fund</b> | <b>670<br/>Transportation<br/>Benefit District</b> |
|--|---------------------------------------|--|-------------------------|---------------------------------------|--|
| 308  | Beginning Cash and Investments        | 420,793                                    | 404,648                 | 7,217                                 | 8,928  |
| 388 & 588  | Prior Period Adjustments, Net         | -  | -                       | -                                     | -  |
| 310-360  | Revenues                              | 334,634                                    | -                       | -                                     | 334,634  |
| 380-390  | Other Increases and Financing Sources | 146,493                                    | 137,804                 | 8,689                                 | -  |
| 510-570  | Expenditures                          | 309,500                                    | -                       | -                                     | 309,500  |
| 580-590  | Other Decreases and Financing Uses    | 67,279                                     | 59,370                  | 7,910                                 | -  |
| Net Increase (Decrease) in Cash and Investments: |                                       | 104,349                                    | 78,434                  | 779                                   | 25,135   |
| 508  | Ending Cash and Investments           | 525,141                                    | 483,082                 | 7,997                                 | 34,062   |

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

**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. The Sammamish River Bridge Fund was created in anticipation of maintenance, study, evaluation, design, future rehabilitation, and/or replacement of the bridge. The Kenmore Village Fund, (previously known as the Capital Projects Fund), is primarily a property management activity with non restricted revenues. 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. Other Special Revenue Funds are the Street Fund, the Park Impact Fee Fund, the Transportation Impact Fee Fund, and the Public Art Fund.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

Debt Service Funds

The City has not outstanding debt therefore no debt service funds exist at this time.

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. This fund had previously been classified as a Special Revenue Fund. Other Capital Project Funds are the Real Estate Excise Tax Fund (previously known as the Municipal Capital Reserve Fund) and the newly created Park Capital Fund. The Capital Projects Fund was changed in use and title to the Kenmore Village Fund and has been combined with the General Fund for financial presentation purposes beginning in 2013.

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, Flexible Spending Fund and the Kenmore Transportation Benefit District 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**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

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<br>Strategic Reserve Fund<br>Strategic Opportunities Fund<br>Sammamish River Bridge Fund<br>Kenmore Village Fund | General Fund                     |
| Surface Water Management Fund<br>Surface Water Capital Fund<br>Swamp Creek Basin Fund   | Surface Water Management Fund    |

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

The 2015-2016 biennial budgeted expenditures were amended on November 23, 2015 as follows:

| Fund                                    | 2015-2016<br>Adopted<br>Biennium Budget | 2015 Budget<br>Amendment | 2015-2016<br>Amended<br>Biennium Budget |
|---|---|--------------------------|---|
| General Fund                            | \$24,967,374                            | \$4,007,715              | \$28,975,089                            |
| Street Fund                             | 2,371,277                               | 400,000                  | 2,771,277                               |
| Public Art Fund                         | 1,000                                   | 0                        | 1,000                                   |
| Park Impact Fee Fund                    | 490,000                                 | 213,416                  | 703,416                                 |
| Transportation Impact Fee Fund          | 2,760,000                               | 0                        | 2,760,000                               |
| Real Estate Excise Tax Fund             | 3,528,719                               | 458,587                  | 3,987,306                               |
| Park Capital Fund                       | 1,238,000                               | 453,233                  | 1,691,233                               |
| Transportation Capital Fund             | 17,308,172                              | 4,534,205                | 21,842,377                              |
| Surface Water Management Fund           | 6,861,776                               | -686,500                 | 6,175,276                               |
| Equipment Replacement Fund              | 224,000                                 | 134,375                  | 358,375                                 |
| Kenmore Transportation Benefit District | 630,000                                 | 0                        | 630,000                                 |

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

| Fund                                    | 2015-2016 Amended<br>Biennium Budget as of<br>12/31/2015 | 2015 Actual<br>Expenditures | Variance     |
|---|--|-----------------------------|--------------|
| General Fund                            | \$28,975,089   | \$11,865,111                | \$17,109,978 |
| Street Fund                             | 2,771,277  | 1,389,911                   | 1,381,366    |
| Public Art Fund                         | 1,000  | 547                         | 453          |
| Park Impact Fee Fund                    | 703,416  | 0                           | 703,416      |
| Transportation Impact Fee Fund          | 2,760,000  | 2,360,000                   | 400,000      |
| Real Estate Excise Tax Fund             | 3,987,306  | 2,484,359                   | 1,502,947    |
| Park Capital Fund                       | 1,691,233  | 437,372                     | 1,253,861    |
| Transportation Capital Fund             | 21,842,377   | 8,487,598                   | 13,354,779   |
| Surface Water Management Fund           | 6,175,276  | 1,244,169                   | 4,931,107    |
| Equipment Replacement Fund              | 358,375  | 173,486                     | 184,889      |
| Kenmore Transportation Benefit District | 630,000  | 309,500                     | 320,500      |

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

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 will be paid 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, 2015 liability for compensated absences is \$282,291.

**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 2015:

| <b>Transfers From:</b>         |                    | <b>Transfers To:</b>        |                    |
|--------------------------------|--------------------|-----------------------------|--------------------|
| General Fund                   | \$620,359          | Street Fund                 | \$485,430          |
| Street Fund                    | 320,597            | Transportation Capital Fund | 4,828,316          |
| Transportation Impact Fee Fund | 2,360,000          | Park Capital Fund           | 471,569            |
| Real Estate Excise Tax Fund    | 2,484,359          |                             |                    |
| <b>TOTAL</b>                   | <b>\$5,785,315</b> | <b>TOTAL</b>                | <b>\$5,785,315</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 179 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.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. 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.



**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

Investments are reported at original cost. Cash and Investments by type as of December 31, 2015 are as follows:

| <u>Investments</u>           | <u>Balance</u>          |
|------------------------------|-------------------------|
| U.S. Government Securities   | \$7,839,802             |
| Certificates of Deposit      | <u>4,087,815</u>        |
| Total                        | \$11,927,617            |
| <u>Cash</u>                  |                         |
| Local Govt. Investment Pool  | \$5,754,694             |
| Bank and petty cash balance  | 941,192                 |
| Flexible Spending balance    | <u>7,996</u>            |
| Total                        | \$6,703,882             |
| <br>Total Cash & Investments | <br><u>\$18,631,499</u> |

**NOTE 4 – PROPERTY TAXES**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed by electronic transfer to the City's bank account 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 2015 was \$1.36465 per \$1,000 on an assessed valuation of \$3,231,453,124 for a total regular levy of \$4,440,064.

**NOTE 5 – INTERFUND LOANS AND ADVANCES**

There were no interfund loans or advances in 2015.

**NOTE 6 – Debt Service Requirements**

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, 2015.

Upon incorporation in 1998, the City of Kenmore assumed its proportional share of 1996 King County Revenue Bonds. As of December 31, 2015, remaining debt service, including principal and interest is \$45,473.

| Year | Principal | Interest | Total    |
|------|-----------|----------|----------|
| 2016 | \$44,310  | \$1,163  | \$45,473 |

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Kenmore and summarizes debt transactions for 2015.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

**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.

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, 2015 the City of Kenmore's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

| Plan                | DRS-Schedule of Employer and<br>Nonemployer Allocations |  | DRS-Schedule of Collective<br>Pension Amounts | Ending Balance 12/31/2015 |
|---------------------|---|--|---|---------------------------|
|                     | Employer<br>Contributions                               | Allocation<br>Percentage                         |   |                           |
| PERS 1              | \$ 18,104   | 0.003939%  | 5,230,930,000                                 | 206,046                   |
| PERS 1 UAAL         | \$ 87,557   | 0.019051%  | 5,230,930,000                                 | 996,544                   |
| PERS 2 and 3        | \$ 109,636  | 0.024952%  | 3,573,057,000                                 | 891,549                   |
| Public Safety ERS 2 | 0.00  | 0.000000%  | 18,252,000                                    | -                         |
| SERS 2 and 3        | 0.00  | 0.000000%  | 406,151,000                                   | -                         |
| TRS 1               | 0.00  | 0.000000%  | 3,168,142,000                                 | -                         |
| TRS 2 and 3         | 0.00  | 0.000000%  | 843,802,000                                   | -                         |
|                     | \$215,296   | <i>Total Net Pension Liability (Schedule 09)</i> |   | 2,094,140                 |
| LEOFF 1             | 0.00  | 0.000000%  | (1,205,221,000)                               | -                         |
| LEOFF 2             | 0.00  | 0.000000%  | (1,027,800,000)                               | -                         |
|                     |   |  |   | -                         |

**NOTE 8 – PRIOR YEAR ADJUSTMENT**

There were no prior year adjustments in 2015.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

**NOTE 9 – JOINT VENTURES AND RELATED PARTIES**

**Emergency Services Coordinating Agency**

The Emergency Services Coordinating Agency (ESCA) was established by an inter-local agreement in 1994 to provide joint organization of emergency management. The Agency's jurisdiction includes the cities of Brier, Edmonds, Kenmore, Lake Forest Park, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodinville and the town of Woodway. The Agency assists its member cities and town in managing emergency responses and disaster preparedness. An appointed, 10-member Board of Directors governs the Agency. The Board is composed of the Mayors from the 10 member cities and town or his or her designee. The Agency's six employees coordinate the planning, mitigation, response and recovery efforts of its member agencies.

Each member city is responsible for contributing to operating revenue based on population. The City of Kenmore's contribution to the ESCA operating budget was \$51,058 in 2015.

On June 25, 2014, Agency members passed resolution (2015-3) to dissolve ESCA during the 2015 fiscal year and the City received \$40,520 in the final distribution.

**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, 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 \$26,713 in 2015 (4.175 percent of the Coalition's \$639,805 budget).

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 Art Sullivan, 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.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

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 \$41,390 in 2015.

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

**NOTE 10 – OTHER DISCLOSURES AND SUBSEQUENT EVENTS**

**Kenmore Transportation Benefit District**

On April 16, 2012 the Kenmore City Council adopted Ordinance No. 12-0339 which established the Kenmore Transportation Benefit District (TBD), an independent taxing district, effective April 26, 2012. The District is a governmental special purpose entity governed by a Board of Directors created for the sole purpose of providing and funding transportation improvements within the District. The seven member board is comprised of the seven members of the Kenmore City Council and the boundaries of the District are identical to the City of Kenmore city limits.

The TBD Board approved a \$20 Vehicle License Fee on November 20, 2012 which was assessed on vehicle registrations in Kenmore beginning June 1, 2013. An inter-local agreement obligates the TBD to transfer the fees to the City to fund transportation improvements and maintenance for City streets. In 2015 the TBD transferred \$307,000 to the City.

The Transportation Benefit District is a separate legal entity and a separate annual report has been prepared for the City of Kenmore Transportation Benefit District. More information about the Kenmore TBD, including financial statements, can be found on the City of Kenmore website at [www.Kenmorewa.gov](http://www.Kenmorewa.gov).

**Self Insurance**

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, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

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 insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC 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 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 HCP. Similarly, the terminating member forfeits all rights and interest to the 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.

**Kenmore Village**

A purchase and sale agreement with Benaroya Company and Real Property Investors for the remainder 3.3 acres of the Kenmore Village lower lot was approved by the City Council in June, 2013. Early in 2014 a Rescission of Purchase and Sale Agreement was executed by both parties resulting in termination of the agreement. In March 2015, several remaining parcels of the lower lot were sold to MainStreet Property Group LLC for \$970,000.

In July 2013, the City and MainStreet Property Group LLC entered into a purchase and sale agreement in the amount of \$3.6M for the 4.75 acre upper lot of Kenmore Village, formerly the King County Park & Ride. The sale closed in May 2014. MainStreet is developing over 200 units of quality multifamily apartments, a portion of which will be affordable housing. Construction is underway.

**CITY OF KENMORE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2015**

Construction Commitment

The City has active construction projects as of December 31, 2015. The projects include the SR522 West A Project (61st to 65<sup>th</sup>) and the Town Green and Pavilion Project.

At year-end, the City's commitments with contractors are as follows:

| <b>Project</b>          | <b>Spent to Date</b> | <b>Remaining Commitment</b> |
|-------------------------|----------------------|-----------------------------|
| SR522 West A            | \$6,073,250          | \$4,142,590                 |
| Town Green and Pavilion | \$1,184,042          | \$2,214,653                 |

**City of Kenmore**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2015**

| <u>ID. No.</u>  | <u>Description</u>           | <u>Due Date</u> | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------|------------------------------|------------------|-------------------|-----------------------|
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b>        |                              |                 |                              |                  |                   |                       |
| 252.11  | Revenue Bonds to King County | 5/12/2016       | 86,352                       | -                | 42,041            | 44,311                |
| 259.12  | Compensated Absences         |                 | 236,711                      | 53,759           | 8,179             | 282,291               |
| 264.30  | Net Pension Liability        |                 | -                            | 2,094,140        | -                 | 2,094,140             |
| <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b> |                              |                 | <b>323,063</b>               | <b>2,147,899</b> | <b>50,220</b>     | <b>2,420,742</b>      |
| <b>Total Liabilities:</b>                                   |                              |                 | <b>323,063</b>               | <b>2,147,899</b> | <b>50,220</b>     | <b>2,420,742</b>      |

**City of Kenmore**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

| Federal Agency<br>(Pass-Through Agency)   | Federal Program                      | CFDA<br>Number | Other Award<br>Number                    | Expenditures                    |                       |                                    | Note |
|---|--------------------------------------|----------------|--|---------------------------------|-----------------------|------------------------------------|------|
|   |                                      |                |  | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Passed through<br>to Subrecipients |      |
| Highway Planning and Construction Cluster   |                                      |                |  |                                 |                       |                                    |      |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WSDOT) | Highway Planning and<br>Construction | 20.205         | LA-7907 522<br>West A ROW                | 232,560                         | -                     | -                                  | 1,2  |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WSDOT) | Highway Planning and<br>Construction | 20.205         | LA-8652 W.<br>Sammamish<br>Bridge        | 345,389                         | -                     | -                                  | 1,2  |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WSDOT) | Highway Planning and<br>Construction | 20.205         | LA-8458 NE<br>181st Sidewalk             | 81,303                          | -                     | -                                  | 1,2  |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WSDOT) | Highway Planning and<br>Construction | 20.205         | LA-8497 SR 522<br>West A<br>Construction | 1,264,144                       | -                     | -                                  | 1,2  |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WSDOT) | Highway Planning and<br>Construction | 20.205         | LA-8651 62nd<br>Ave. NE<br>Improvements  | 34,807                          | -                     | -                                  | 1,2  |
| Total Highway Planning and Construction Cluster:                                      |                                      |                |  | 1,958,203                       | -                     | -                                  |      |
| Total Federal Awards Expended:  |                                      |                |  | 1,958,203                       | -                     | -                                  |      |

The accompanying notes are an integral part of this schedule.



**CITY OF KENMORE**  
**MCAG1268**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS**  
**For the Year Ended December 31, 2015**

**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 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.

**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 - AMOUNTS AWARDED TO SUBRECIPIENTS**

There are no program expenditures that were passed through to a subrecipient that administered its own project.

**NOTE 4 - LOANS AND NON CASH AWARDS**

The City of Kenmore received no revolving loans, federal loans or non cash awards that would be reportable on the Schedule of Expenditures of Federal Awards.

**NOTE 7 – INDIRECT COST RATE**

The amount expended does not include any indirect costs. The City has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

## 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.

| Contact information for the State Auditor's Office |  |
|--|--|
| Public Records requests                            | <a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a> |
| Main telephone                                     | (360) 902-0370   |
| Toll-free Citizen Hotline                          | (866) 902-3900   |
| Website  | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>                     |