



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Enumclaw

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

Published April 22, 2024

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

April 22, 2024

Council
City of Enumclaw
Enumclaw, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Enumclaw
Enumclaw, 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 Enumclaw, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated April 15, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

April 15, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Enumclaw
Enumclaw, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

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

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

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

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

Adverse Opinion on U.S. GAAP

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

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

April 15, 2024

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	110 STREET	112 TRANSPORTATION BENEFIT
Beginning Cash and Investments					
308	Beginning Cash and Investments	31,032,999	6,291,512	381,263	929,424
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	11,320,488	9,633,544	-	745,264
320	Licenses and Permits	668,039	603,447	11,295	-
330	Intergovernmental Revenues	3,379,668	2,628,750	257,772	384,463
340	Charges for Goods and Services	24,741,688	1,928,289	16,851	-
350	Fines and Penalties	111,386	69,832	-	-
360	Miscellaneous Revenues	2,406,083	235,787	7,142	10,912
Total Revenues:		42,627,352	15,099,649	293,060	1,140,639
Expenditures					
510	General Government	5,288,800	2,969,670	-	-
520	Public Safety	6,281,269	6,274,562	-	-
530	Utilities	15,071,871	1,583	-	-
540	Transportation	1,789,289	-	756,751	149,460
550	Natural/Economic Environment	1,329,325	1,310,027	-	-
560	Social Services	743,756	743,756	-	-
570	Culture and Recreation	2,177,568	1,482,826	-	-
Total Expenditures:		32,681,878	12,782,424	756,751	149,460
Excess (Deficiency) Revenues over Expenditures:		9,945,474	2,317,225	(463,691)	991,179
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,149,553	283,499	791,641	65,737
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	252,390	74,029	10,915	16,179
Total Other Increases in Fund Resources:		2,401,943	357,528	802,556	81,916
Other Decreases in Fund Resources					
594-595	Capital Expenditures	6,010,612	781,820	232,003	880,444
591-593, 599	Debt Service	2,890,224	8,401	1,712	221,288
597	Transfers-Out	2,149,554	1,054,419	5,736	185
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	228,566	51,478	24,084	-
Total Other Decreases in Fund Resources:		11,278,956	1,896,118	263,535	1,101,917
Increase (Decrease) in Cash and Investments:		1,068,461	778,635	75,330	(28,822)
Ending Cash and Investments					
50821	Nonspendable	100,000	-	-	-
50831	Restricted	9,326,651	-	169,332	900,602
50841	Committed	3,833,677	549,848	-	-
50851	Assigned	14,343,521	2,022,688	287,261	-
50891	Unassigned	4,497,611	4,497,611	-	-
Total Ending Cash and Investments		32,101,460	7,070,147	456,593	900,602

The accompanying notes are an integral part of this statement.

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

		115 LODGING TAX	130 2ND 1/4% REET GMA	131 1ST 1/4% REET GMA	150 SEIZED ASSETS
Beginning Cash and Investments					
308	Beginning Cash and Investments	25,116	1,721,234	1,756,299	22,263
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	28,380	456,650	456,650	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	495	29,069	28,403	295
Total Revenues:		28,875	485,719	485,053	295
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	6,674
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	20,037	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		20,037	-	-	6,674
Excess (Deficiency) Revenues over Expenditures:		8,838	485,719	485,053	(6,379)
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	-	-	24,940	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	404,334	576,290	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	404,334	601,230	-
Increase (Decrease) in Cash and Investments:		8,838	81,385	(116,177)	(6,379)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	33,954	1,802,619	1,640,122	15,884
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		33,954	1,802,619	1,640,122	15,884

The accompanying notes are an integral part of this statement.

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

		156 DRUG ENFORCEMENT FUND	158 IMPACT FEE ACCOUNTS	170 POOL	215 LOCAL IMPROVE DIST DEBT SERVC
Beginning Cash and Investments					
308	Beginning Cash and Investments	24,176	2,261,464	105,673	182,936
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	727,636	331,863	-
350	Fines and Penalties	437	-	-	210
360	Miscellaneous Revenues	355	36,650	86,281	36,068
Total Revenues:		792	764,286	418,144	36,278
Expenditures					
510	General Government	-	329,079	-	-
520	Public Safety	33	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	691,242	-
Total Expenditures:		33	329,079	691,242	-
Excess (Deficiency) Revenues over Expenditures:		759	435,207	(273,098)	36,278
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	372,752	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	(4,271)	-
Total Other Increases in Fund Resources:		-	-	368,481	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	1,108	-
591-593, 599	Debt Service	-	-	-	46,611
597	Transfers-Out	-	5,120	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	9,253
Total Other Decreases in Fund Resources:		-	5,120	1,108	55,864
Increase (Decrease) in Cash and Investments:		759	430,087	94,275	(19,586)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	24,935	2,691,551	-	163,350
50841	Committed	-	-	-	-
50851	Assigned	-	-	199,948	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		24,935	2,691,551	199,948	163,350

The accompanying notes are an integral part of this statement.

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

		230 LID GUARANTY FUND	410 WATER UTILITY	420 WASTEWATER UTILITY	430 NATURAL GAS UTILITY
Beginning Cash and Investments					
308	Beginning Cash and Investments	44,904	4,775,759	4,961,298	1,909,996
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	16,000	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	3,648,118	4,482,976	5,359,942
350	Fines and Penalties	-	12,102	9,295	12,895
360	Miscellaneous Revenues	3,197	751,375	922,912	87,021
Total Revenues:		3,197	4,411,595	5,431,183	5,459,858
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,702,246	3,039,190	5,193,476
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,702,246	3,039,190	5,193,476
Excess (Deficiency) Revenues over Expenditures:		3,197	1,709,349	2,391,993	266,382
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	-	10,500	36,008	2,895
Total Other Increases in Fund Resources:		-	10,500	36,008	2,895
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	159,006	2,529,439	93,144
591-593, 599	Debt Service	-	436,331	2,131,169	-
597	Transfers-Out	1,423	22,613	20,213	22,613
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	46,854	36,008	1,990
Total Other Decreases in Fund Resources:		1,423	664,804	4,716,829	117,747
Increase (Decrease) in Cash and Investments:		1,774	1,055,045	(2,288,828)	151,530
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	46,678	779,263	371,179	21,624
50841	Committed	-	-	-	-
50851	Assigned	-	5,051,541	2,301,291	2,039,902
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		46,678	5,830,804	2,672,470	2,061,526

The accompanying notes are an integral part of this statement.

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

		440 SOLID WASTE UTILITY	450 STORM WATER FUND	520 EQUIPMENT RENTAL	530 DATA PROCESSING INTERNAL SVC
Beginning Cash and Investments					
308	Beginning Cash and Investments	575,712	262,154	3,272,824	175,719
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	21,956	-	15,341
330	Intergovernmental Revenues	17,572	50,000	-	41,111
340	Charges for Goods and Services	3,488,430	776,396	1,598,178	1,475,932
350	Fines and Penalties	5,149	1,466	-	-
360	Miscellaneous Revenues	47,773	6,185	59,564	3,903
Total Revenues:		3,558,924	856,003	1,657,742	1,536,287
Expenditures					
510	General Government	-	-	-	1,082,671
520	Public Safety	-	-	-	-
530	Utilities	3,426,324	709,052	-	-
540	Transportation	-	-	883,078	-
550	Natural/Economic Environment	-	-	-	(739)
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,426,324	709,052	883,078	1,081,932
Excess (Deficiency) Revenues over Expenditures:		132,600	146,951	774,664	454,355
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	26,591	67,755	116,495
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	64,000	34,602	-
Total Other Increases in Fund Resources:		-	90,591	102,357	116,495
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	26,591	443,126	368,818
591-593, 599	Debt Service	19,459	22,504	2,749	-
597	Transfers-Out	22,439	14,169	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	49,000	-	-
Total Other Decreases in Fund Resources:		41,898	112,264	445,875	368,818
Increase (Decrease) in Cash and Investments:		90,702	125,278	431,146	202,032
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	3,283,829	-
50851	Assigned	666,414	387,432	420,141	377,751
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		666,414	387,432	3,703,970	377,751

The accompanying notes are an integral part of this statement.

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

		535 FACILITIES I/S FUND	701 CEMETERY ENDOWMENT CARE	722 LAFROMBOISE MEMORIAL
Beginning Cash and Investments				
308	Beginning Cash and Investments	633,863	590,853	128,557
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	907,077	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	3,048	47,831	1,817
Total Revenues:		910,125	47,831	1,817
Expenditures				
510	General Government	907,380	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	3,500
Total Expenditures:		907,380	-	3,500
Excess (Deficiency) Revenues over Expenditures:		2,745	47,831	(1,683)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	425,083	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	7,533	-	-
Total Other Increases in Fund Resources:		432,616	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	470,173	-	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	9,899	-	-
Total Other Decreases in Fund Resources:		480,072	-	-
Increase (Decrease) in Cash and Investments:		(44,711)	47,831	(1,683)
Ending Cash and Investments				
50821	Nonspendable	-	-	100,000
50831	Restricted	-	638,684	26,874
50841	Committed	-	-	-
50851	Assigned	589,152	-	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		589,152	638,684	126,874

The accompanying notes are an integral part of this statement.

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

		Private-Purpose Trust
308	Beginning Cash and Investments	24,232
388 & 588	Net Adjustments	-
310-390	Additions	281
510-590	Deductions	5,006
	Net Increase (Decrease) in Cash and Investments:	(4,725)
508	Ending Cash and Investments	19,507

The accompanying notes are an integral part of this statement.

City of Enumclaw
Notes to the Financial Statements
For the year ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The City of Enumclaw was incorporated in 1913 and operates under the laws of the state of Washington applicable to a city. The city is a general-purpose local government and provides general administration, police, community development, parks and recreation, aquatic center, water, sewer, natural gas, solid waste, and stormwater services. The City contracts out the operation of a municipal golf course, exposition and event venue, and cemetery.

The City 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.
- 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 classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government'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 fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures

for principal, interest, and related costs on general long-term debt.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Custodial Funds

These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

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 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

AFSCME and Non-Union Employees:

Vacation leave may be accumulated up to 360 hours and is payable upon separation or retirement. Any sick leave earned above 1,056 hours shall be deposited into the employee's VEBA (HRA) account. Upon death, the City shall pay out 100% of the employee's accumulated sick leave in cash. Upon retirement or honorable separation from service with the City, employees with at least five years of service will be entitled to pay for accumulated sick leave according to the table below.

Accrued Hours	Cash Payment	Paid to HRA Account
0-132 hours	0%	25%
133-264 hours	25%	30%
265-528 hours	30%	35%
529-792 hours	35%	40%
793-1056 hours	45%	50%

Enumclaw Police Officers Association:

Vacation leave may be accumulated up to 45 days of vacation and is payable upon separation or retirement. Any vacation leave earned above 45 days shall be deposited into the employee's VEBA (HRA) account. Any sick leave earned above 120 days hours shall be deposited into the employee's VEBA (HRA) account. Upon death, retirement, or resignation from service with the City, employees with at least eight years of service will be entitled to pay for accumulated sick leave in the amount of 50% to the employee's VEBA account or as cash, dependent on the Association's annual election.

F. Long-Term Debt

See Note 5, *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 Council. When expenditures that meet restrictions are incurred the city intends to use the most restricted resources first.

Restricted and committed cash balances include:

Fund Department	Restricted	Committed
General Fund		549,848
Street Fund	169,332	
Transprtation Benefit Dist. Fund	900,602	
Lodging Tax Fund	33,954	
Real Estate Excise Tax Fund 2nd 1/4%	1,802,619	
Real Estate Excise Tax Fund 1st 1/4%	1,640,122	
Seized Assets Fund	15,884	
Drug Education & Enforcement Fund	24,935	
Impact/Mitigation Fund	2,691,551	
Aquatic Center Fund	-	-
LID Debt Fund	163,350	-
LID Contingency Fund	46,678	-
Water Fund	779,263	-
Wastewater Fund	371,179	-
Natural Gas Fund	21,624	-
Solid Waste Fund		-
Stormwater Fund	-	-
ER&R Fund	-	3,283,829
Data Processing Fund	-	-
Facilities Fund	-	-
Lafromboise Memorial Trust	26,874	-
Cemetery Endowment Fund	638,684	-
	<u>\$ 9,326,651</u>	<u>\$ 3,833,677</u>

Note 2 – 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/or the Washington Public Deposit Protection Commission. All investments are insured, registered, or held by the city or its agent in the government's name.

Investments are reported at original cost. Investments by type on December 31, 2022 are as follows:

Cash and Cash Equivalents	City Investments	Fiduciary Funds	Total
Bank Deposits	\$ 10,831	\$ -	\$ 10,831
Certificates of Deposit	\$ -	\$ -	\$ -
Local Government Investment Pool	\$ 25,750,076	\$ 19,507	\$ 25,769,583
U.S. Government Securities	\$ 6,340,553	\$ -	\$ 6,340,553
Total Deposits and Investments	\$ 32,101,460	\$ 19,507	\$ 32,120,967

Note 3 – Budget Compliance

The City adopts annual appropriated budgets for general, special revenue, debt, proprietary, internal service, fiduciary, and private-purpose trust funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

The city went over authorized expenditures in the LID Debt Fund by \$1,339. When doing year-end, it was decided this fund has not had any activity and we should remove this balance so that we can close the fund in 2023. It was much later the city realized by doing that we would go over. The Finance Director decided it was the right thing to do to close the fund and leave the balance as is.

Fund	Final Adopted Budget	Actual Expenditures	Variance
General Fund	15,218,719	14,773,810	444,909
Street Fund	1,366,696	1,020,287	346,409
Transportation Benefit Dist. Fund	1,976,426	1,251,377	725,049
Lodging Tax Fund	20,200	20,037	163
Real Estate Excise Tax Fund 2nd 1/4%	813,921	404,333	409,588
Real Estate Excise Tax Fund 1st 1/4%	1,418,197	601,229	816,968
Seized Assets Fund	22,230	6,674	15,556
Drug Education & Enforcement Fund	2,035	33	2,002
Impact/Mitigation Fund	785,756	334,200	451,556
Aquatic Center Fund	695,621	692,350	3,271
LID Debt Fund	55,947	57,286	(1,339)
LID Contingency Fund	-	-	-
Water Fund	3,915,424	3,367,051	548,373
Wastewater Fund	9,441,377	8,353,182	1,088,195
Natural Gas Fund	5,495,304	5,311,225	184,079
Solid Waste Fund	3,471,031	3,468,221	2,810
Stormwater Fund	861,469	821,317	40,152
ER&R Fund	1,931,758	1,328,956	602,802
Date Processing Fund	1,708,321	1,450,751	257,570
Facilities Fund	2,797,750	1,387,452	1,410,298
Schlotfeldt Endowment Fund	5,006	5,006	-
Cemetery Endowment Fund	1,943	-	1,943
Lafromboise Memorial Trust	3,500	3,500	-
	52,008,631	44,658,275	7,350,356

Note 4 – COVID 19 Pandemic

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2022. These measures include limitations on business operations, public events, gatherings, travel, and in-person interactions. The City of Enumclaw has had a fiscal impact on our services including Parks and Recreation, Aquatic Center, Passport services, Court Services, Utility Collections and Jail Services. The city has been taking the reopening with caution. The city has been putting a long-term work from home policy in place. The city also has been looking at technology to help keep the city moving forward if the need arises to close again. The length of time these measures will be in place, and the full extent of the direct or indirect fiscal impact on the city is unknown at this time.

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
LID 215	ER&R	86,789		9,252	77,537
	Totals	<u>86,789</u>	<u>-</u>	<u>9,252</u>	<u>77,537</u>

Note 6 – Leases (Lessees)

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

The City leased land from Megan S. Farr and M. Owen Gabrielson for ½ of the annual property taxes paid twice a year under a lease agreement for 2 years and 4 months. The leases began in September of 2020 and ended December of 2022 and the lease did not contain an option to extend.

The city leases a letter folder/insert machine from Pitney Bowes Inc. for \$1118.96 per quarter under a 5-year lease agreement. The lease started on April 1st, 2022, and ends on March 31st, 2027. There is no option to extend but can continue month to month.

The city leases a postage machine from Pitney Bowes Inc. for \$808.58 per quarter under a 5-year lease agreement. The lease started on January 1st, 2022, and ends on December 31st, 2026. There is no option to extend but can continue month to month.

The total amount paid for leases in 2022 was \$8,401. As of December 31st, 2022, the future lease payments are as follows:

Year ended December 31	Total
2023	\$7,710
2024	\$7,710
2025	\$7,710
2026	\$7,710
2027	\$1,119
Total	\$31,959

Note 7 – Long-Term Debt

Debt Service

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 the year ended December 31, 2022.

The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:

Year	Principal	Interest	Total
2023	2,622,017	244,183	2,866,200
2024	2,078,523	210,116	2,288,639
2025	2,097,201	178,292	2,275,493
2026	1,577,714	145,930	1,723,643
2027	950,835	117,821	1,068,656
2028-2032	3,954,585	306,701	4,261,287
2033-2036	1,424,750	53,428	1,478,178
Total	<u>14,705,626</u>	<u>1,256,471</u>	<u>15,962,096</u>

Note 8 – Other Postemployment Benefits

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the city as required by RCW 41.26.075. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2022, the plan had 5 members, all retirees. As of December 31, 2022, the city's total OPEB liability was \$1,966,169, as calculated using the alternative measurement method provided by the State Actuary. For the year ended December 31, 2022, the city paid \$68,024 in benefits.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the city's 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: Public Employees' Retirement System 1, 2 & 3. Public Safety Employees' Retirement System 2 and Law Enforcement Officers and Fire Fighters' Retirement System 1 & 2.

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022, the city's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	274,827	0.04843%	\$1,248,594
PERS 2/3	431,104	0.053662%	(1,990,206)
PSERS 2	39,534	0.084071%	(60,111)
LEOFF 1	N/A	0.014821%	(425,157)
LEOFF 2	110,600.03	0.053422%	(1,451,849)

Only the net pension liabilities are reported on the Schedule 09.

LEOFF Plan 1

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates

money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans

The city does not administer a closed, single-employer, defined benefit pension plan.

C. Defined Contribution Pension Plans

The city does not participate in a defined contribution plan.

Note 10 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City's regular levy for the year 2022 was \$1.10954 per \$1,000 on an assessed valuation of \$2,212,529,825 for a total regular levy of \$2,454,896.

Note 11 – Risk Assessment

The city of Enumclaw is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

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

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

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

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

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

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

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

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

Note 12 – Industrial Development Corporation of The City Of Enumclaw

In 1983, the City Council of the City of Enumclaw authorized the establishment of the Industrial Development Corporation of the City of Enumclaw (Ord. No. 1427), a public corporation whose purpose is to issue tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the City. The corporation may construct and maintain industrial facilities, which it can lease or sell to industrial users. Revenue bonds issued by the corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the City or a lien on any of its properties or revenues other than industrial facilities for which they are used.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2016 TBD LTGO Bond	12/1/2024	1,946,000	-	174,000	1,772,000
263.96	Local Loan	12/1/2025	121,358	-	21,970	99,388
263.85	DWSRFL	10/1/2036	4,009,314	-	267,288	3,742,026
263.85	DWSRFL	10/1/2037	1,333,500	-	88,900	1,244,600
263.85	CTED Y Bar S Loan	10/1/2029	270,747	-	38,648	232,099
263.96	Local Loan	12/1/2025	247,340	-	44,762	202,578
Total General Obligation Debt/Liabilities:			7,928,259	-	635,568	7,292,691
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2022	1,064,978	190,405	7,275	1,248,108
252.11	2011 Water/Sewer Revenue Bonds	9/1/2030	390,000	-	390,000	-
252.11	2017 Water/Sewer Revenue Bonds	9/1/2031	4,183,000	-	159,000	4,024,000
252.11	PWTFL Sewer Expansion	7/1/2026	4,794,226	-	1,405,113	3,389,113
264.30	Pension Liability	12/31/2022	528,159	720,435	-	1,248,594
264.40	OPEB	12/31/2022	2,204,396	46,047	284,274	1,966,169
263.57	Postage Machine	12/31/2026	-	16,172	3,234	12,938
263.57	Folding Machine	3/31/2027	-	22,379	3,357	19,022
263.57	1622 Cole St.	12/31/2022	1,810	-	1,810	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			13,166,569	995,438	2,254,063	11,907,944
Total Liabilities:			21,094,828	995,438	2,889,631	19,200,635

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov