



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Clyde Hill

For the period January 1, 2021 through December 31, 2022

Published August 12, 2024

Report No. 1035285



Scan to see another great way
we're helping advance
#GoodGovernment



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

August 12, 2024

Mayor and City Council
City of Clyde Hill
Clyde Hill, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

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 <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements	7
Financial Section	11
About the State Auditor's Office	41

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 Clyde Hill January 1, 2021 through December 31, 2022

Mayor and City Council
City of Clyde Hill
Clyde Hill, 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 Clyde Hill, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 30, 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 audits 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

July 30, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Clyde Hill January 1, 2021 through December 31, 2022

Mayor and City Council
City of Clyde Hill
Clyde Hill, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Clyde Hill, as of and for the years ended December 31, 2022 and 2021, 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 Clyde Hill, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, 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 Clyde Hill, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedules of Liabilities are 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

July 30, 2024

FINANCIAL SECTION

City of Clyde Hill January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to the Financial Statements – 2022
Notes to the Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021

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

		Total for All Funds (Memo Only)	001 General Fund	301 Capital Projects Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	12,419,764	7,043,522	5,376,242
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	3,710,208	2,635,892	1,074,316
320	Licenses and Permits	827,557	827,557	-
330	Intergovernmental Revenues	684,226	591,908	92,318
340	Charges for Goods and Services	776,931	776,931	-
350	Fines and Penalties	36,624	36,624	-
360	Miscellaneous Revenues	350,060	350,060	-
Total Revenues:		6,385,606	5,218,972	1,166,634
Expenditures				
510	General Government	1,250,860	1,250,860	-
520	Public Safety	2,580,115	2,580,115	-
530	Utilities	161,572	161,572	-
540	Transportation	986,575	961,059	25,516
550	Natural/Economic Environment	149,494	149,494	-
560	Social Services	937	937	-
570	Culture and Recreation	14,753	14,753	-
Total Expenditures:		5,144,306	5,118,790	25,516
Excess (Deficiency) Revenues over Expenditures:		1,241,300	100,182	1,141,118
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	76,128	76,128	-
Total Other Increases in Fund Resources:		76,128	76,128	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	824,987	68,093	756,894
591-593, 599	Debt Service	10,617	10,617	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	72,150	72,150	-
Total Other Decreases in Fund Resources:		907,754	150,860	756,894
Increase (Decrease) in Cash and Investments:		409,674	25,450	384,224
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	7,057,185	1,296,720	5,760,465
50841	Committed	-	-	-
50851	Assigned	2,187,546	2,187,546	-
50891	Unassigned	3,584,707	3,584,707	-
Total Ending Cash and Investments		12,829,438	7,068,973	5,760,465

The accompanying notes are an integral part of this statement.

City of Clyde Hill
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 General Fund	301 Capital Projects Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	10,846,562	6,876,519	3,970,043
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	3,974,118	2,480,202	1,493,916
320	Licenses and Permits	782,588	782,588	-
330	Intergovernmental Revenues	681,429	638,669	42,760
340	Charges for Goods and Services	658,872	658,872	-
350	Fines and Penalties	23,415	23,415	-
360	Miscellaneous Revenues	216,179	216,179	-
Total Revenues:		6,336,601	4,799,925	1,536,676
Expenditures				
510	General Government	1,112,866	1,112,866	-
520	Public Safety	2,469,236	2,469,236	-
530	Utilities	16,911	16,911	-
540	Transportation	868,533	826,655	41,878
550	Natural/Economic Environment	54,498	54,498	-
560	Social Services	899	899	-
570	Culture and Recreation	2,645	2,645	-
Total Expenditures:		4,525,588	4,483,710	41,878
Excess (Deficiency) Revenues over Expenditures:		1,811,013	316,215	1,494,798
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	99,629	99,629	-
Total Other Increases in Fund Resources:		99,629	99,629	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	143,773	55,173	88,600
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	193,669	193,669	-
Total Other Decreases in Fund Resources:		337,442	248,842	88,600
Increase (Decrease) in Cash and Investments:		1,573,200	167,002	1,406,198
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	6,424,329	1,048,087	5,376,242
50841	Committed	-	-	-
50851	Assigned	2,306,034	2,306,034	-
50891	Unassigned	3,689,401	3,689,401	-
Total Ending Cash and Investments		12,419,764	7,043,522	5,376,242

The accompanying notes are an integral part of this statement.

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

		<u>Custodial</u>
308	Beginning Cash and Investments	2,257
388 & 588	Net Adjustments	-
310-390	Additions	59,265
510-590	Deductions	<u>58,765</u>
	Net Increase (Decrease) in Cash and Investments:	500
508	Ending Cash and Investments	2,757

The accompanying notes are an integral part of this statement.

City of Clyde Hill
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Custodial
308	Beginning Cash and Investments	1,668
388 & 588	Net Adjustments	-
310-390	Additions	34,235
510-590	Deductions	33,646
	Net Increase (Decrease) in Cash and Investments:	589
508	Ending Cash and Investments	2,257

The accompanying notes are an integral part of this statement.

City of Clyde Hill

Notes to the Financial Statements

For the year ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The City of Clyde Hill was incorporated on March 31, 1953 and operates under the laws of the state of Washington applicable to a non-charter Code City with a strong mayor city council type of government structure. The City of Clyde Hill is a general-purpose local government and provides police, fire, public works and general government services.

The City of Clyde Hill reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for fiduciary funds are presented using the classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following 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.

Capital Projects 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.

FIDUCIARY FUND TYPES:

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

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 of Clyde Hill also recognizes expenditures paid during twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, *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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated within certain limits that are different for different types of employees and the amount under the applicable limit is payable upon separation or retirement.

Sick leave may be accrued to a maximum of 180 days for non-union employees and 60 days for union employees. Police officers have a buy-back provision in their collective bargaining agreement after 60 days of accumulated sick leave. The buy rate is 25%. Upon separation or retirement, non-union employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

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 subject to restrictions imposed by external parties or due to internal commitments established by resolution or ordinance of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

At December 31, 2022, \$5,760,465.37 was classified as *Restricted* for capital projects only. External restrictions on the fund balance in the City's Capital Projects Fund is made up of:

Real Estate Excise Tax (REET) - \$5,616,124.02 for capital projects specified in the City's Capital Improvements Plan (CIP), and

King County Parks Levy - \$144,341.35 for capital projects to improve parks and trails.

At December 31, 2022, \$1,296,719.77 was classified as *Restricted* in the General Fund. External restrictions on the fund balance in the City's General Fund is made up of:

Refundable Performance (Retainage) Bonds - \$199,133.43 held in trust until completion of projects,

Criminal Justice Funds - \$373,331.59 for law enforcement, and

American Rescue Plan Act (ARPA) - \$724,254.75 to respond to Public Health and Economic Impacts of COVID-19.

Note 2 – Budget Compliance

Budgets

The City of Clyde Hill adopts annual appropriated budgets for two 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Total General Fund	\$8,138,958	\$5,269,650	\$2,868,980
Total Capital Projects Fund	\$1,064,455	\$782,410	\$282,045
Total	\$9,203,413	\$6,052,060	\$3,151,025

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; 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 of Clyde Hill legislative body.

Note 3 – Deposits and Investments

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

Type of Deposit or Investment	City of Clyde Hill's Own Deposits and Investments	Deposits and Investments Held by Clyde Hill for Others	Total
Bank Deposits	\$1,313,058	\$2,757	\$1,315,815
Local Government Investment Pool	6,008,400	0	6,008,400
U.S. Government Securities	5,933,095	0	5,933,095
Total	\$13,254,553	\$2,757	\$13,257,310

It is the City of Clyde Hill's policy to invest all temporary cash surpluses. Per Policy Statement #9: Continue to consolidate and allocate all interest income earned on surplus City funds in the General Fund to better streamline the City's financial operations and further simplify the accounting system.

Investments in the State Local Government Investment Pool (LGIP)

The City of Clyde Hill is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Clyde Hill would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Clyde Hill's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Clyde Hill or its agent in the government's name.

Note 4 – Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at various times throughout each month.

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

The City of Clyde Hill's regular levy for the year 2022 was \$0.37135 per \$1,000 on an assessed valuation of \$3,478,631,816 for a total regular levy of \$1,289,870.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Clyde Hill and summarizes the City of Clyde Hill's debt transactions for year ended December 31, 2022. The City had no formal, written financing agreement type debt in 2022. The City's other liabilities reported on Schedule 9 as of December 31, 2022 include: 1) Compensated Absences \$160,818; 2) Department of Retirement Systems Pension Liability \$186,246; 3) Other Post-Employment Benefits (OPEB) Liability \$867,986; and 4) Building Lease Liability \$59,310 and 5) Postage Meter Lease Liability \$732. The total calculated for other liabilities and reported on the Schedule of Liabilities (09) is \$1,275,092 at the end of 2022.

Note 6 – Other Post-Employment Benefits (OPEB)

The City of Clyde Hill has a commitment to pay for post-employment benefits for employees that belonged to the Law Enforcement Officers and Fire Fighters Pension Plan 1 (commonly referred to as LEOFF 1). These benefits include medical, vision and long-term care.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the city as required by RCW 41.26. 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 two (2) Police Department members, both retirees. As of December 31, 2022, Clyde Hill's total OPEB liability was \$867,986, as calculated using the alternative measurement method. For the year ended December 31, 2022, the city paid \$35,152 in benefits.

The City's proportionate share of Fire Department retirees is included in contractual payments to the City of Bellevue. In 2022, the City of Clyde Hill did not pay Bellevue Fire the regular annual amount for LEOFF I Fire retirees as the actuarial beginning balance outstanding was \$0 (reported on Schedule 9). The City has currently made sufficient LEOFF 1 Reserve contributions per the Fire Protection Services Agreement to the City of Bellevue.

Note 7 – Pension Plans

State Sponsored Pension Plans

City of Clyde Hill'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 (PERS 2 and 3) and Law Enforcement Officers and Fire Fighter's (LEOFF 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 obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

At June 30, 2022, the City of Clyde Hill's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$40,992	0.006689%	\$186,246
		Subtotal	\$186,246
PERS 2/3	\$70,273	0.008747%	(\$324,407)
LEOFF 1	\$0	0.004397%	(\$126,133)
LEOFF 2	\$49,152	0.023742%	(\$645,236)

LEOFF Plan 1

The City of Clyde Hill 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 of Clyde Hill 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.

Note 8 – Leases (Lessee)

During the year ending 2022, the City of Clyde Hill 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.

- A. The City of Clyde Hill leases a building from the City of Bellevue for \$9,885 per year plus an annual increase of the Consumer Price Index for Urban Wage Earners for the Seattle-Tacoma-Bremerton Metropolitan Area. The lease began June 16, 2019 and will end June 15, 2029. The total amount paid for leases in 2022 was \$9,885. As of December 31, 2022, the future minimum lease payments are as follows:

Year ended December 31	Total
2023	\$9,885
2024	\$9,885
2025	\$9,885
2026	\$9,885
2027	\$9,885
2028-2032	\$9,885
Total	\$59,310

- B. The City of Clyde Hill leases a postage meter from Pitney Bowes for \$183 per quarter. The lease began December 30, 2018 and will end December 29, 2023. The total amount paid for this lease in 2022 was \$732. As of December 31, 2022, the future minimum lease payment is \$732.

Note 9 – Risk Management

- A. The City of Clyde Hill 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.

- B. The City of Clyde Hill 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, 2022, 262 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible

to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims. Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

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

Note 10 – Joint Ventures and Related Parties

ARCH – Housing Coalition

A Regional Coalition for Housing (ARCH) was created in 1992 through an interlocal agreement of several suburban governments in Eastside King County. ARCH helps establish a teamwork approach to solving local housing issues. ARCH is comprised of 15 Eastside cities & King County. The City of Clyde Hill became a member of ARCH in 1999.

ARCH is governed by an Executive Board composed of the chief executive officer from each agency. 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. In 2022, the City of Clyde Hill paid \$6,777 to ARCH for operations and contributed \$17,988 to ARCH for low-income housing here on the Eastside.

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 the members based on percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of the net position is deemed immaterial and thus is not reflected in the financial statement.

Budget monitoring information can be obtained from ARCH, 16625 NE 87th Street, Suite A-3, Redmond, WA 98052 (Email: info@archhousing.org or Phone: 425 961-3676)

NORCOM

In November of 2007, the City of Clyde Hill, with the cities of Bellevue, Kirkland, Bothell, Medina, Mercer Island and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2022, the City of Clyde Hill's share of these fees was \$96,100.

Additional financial information can be obtained from NORCOM, c/o Finance Manager, PO Box 50911, Bellevue, WA 98015.

Note 11 – Other Disclosures

Implementation of New Accounting Principles

In compliance with BARS, the City of Clyde Hill implemented a new accounting principle: GASB 87 - Leases - establishes new criteria for identifying and reporting leasing activity.

SR 520 Lid Maintenance

WSDOT and the cities/towns of Clyde Hill, Medina, Hunts Point and Yarrow Point have been in negotiations to agree on the long-term maintenance and funding responsibility for facilities, built by and wholly within SR 520, a State limited access highway.

Throughout the design phase, the cities/towns were promised various landscape and related amenities as requirements to soften the impact of the new state highway facility. Now that those facilities are in place, WSDOT wants to impose ongoing capital and maintenance costs on the cities/towns even though it is evident that those facilities are not addressed in any related guidance documents and demand greater maintenance than typical state highway facilities. The expected capital and maintenance costs (\$250,000 annual) are such that they exceed the fiscal capabilities of these small communities. Cities put in this rare situation should not be faced with having to choose between substandard maintenance conditions or fiscal irresponsibility for a project that was not of their making, for facilities that are wholly owned by the State and are located wholly within the State highway.

The City is hopeful that further negotiations or a legislative clarification will resolve the current dispute.

City of Clyde Hill

Notes to the Financial Statements

For the year ended December 31, 2021

Note 1 – Summary of Significant Accounting Policies

The City of Clyde Hill was incorporated on March 31, 1953 and operates under the laws of the state of Washington applicable to a non-charter Code City with a strong mayor city council type of government structure. The City of Clyde Hill is a general-purpose local government and provides police, fire, public works and general government services.

The City of Clyde Hill reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for fiduciary funds are presented using the classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following 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.

Capital Projects 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.

FIDUCIARY FUND TYPES:

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

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 of Clyde Hill also recognizes expenditures paid during twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, *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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated within certain limits that are different for different types of employees and the amount under the applicable limit is payable upon separation or retirement.

Sick leave may be accrued to a maximum of 180 days for non-union employees and 60 days for union employees. Police officers have a buy-back provision in their collective bargaining agreement after 60 days of accumulated sick leave. The buy rate is 25%. Upon separation or retirement, non-union employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

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 subject to restrictions imposed by external parties or due to internal commitments established by resolution or ordinance of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

At December 31, 2021, \$5,376,242.02 was classified as *Restricted* for capital projects only. External restrictions on the fund balance in the City's Capital Projects Fund is made up of:

Real Estate Excise Tax (REET) - \$5,278,021.09 for capital projects specified in the City's Capital Improvements Plan (CIP), and

King County Parks Levy - \$98,220.93 for capital projects to improve parks and trails.

At December 31, 2021, \$1,048,087.15 was classified as *Restricted* in the General Fund. External restrictions on the fund balance in the City's General Fund is made up of:

Refundable Performance (Retainage) Bonds - \$192,133.43 held in trust until completion of projects,

Criminal Justice Funds - \$416,381.45 for law enforcement,

American Rescue Plan Act (ARPA) - \$439,572.27 to respond to Public Health and Economic Impacts of COVID-19.

Note 2 – Budget Compliance

Budgets

The City of Clyde Hill adopts annual appropriated budgets for two 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Total General Fund	\$6,844,564	\$4,732,550	\$2,112,014
Total Capital Projects Fund	\$763,000	\$130,478	\$632,522
Total	\$7,607,564	\$4,863,028	\$2,744,536

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; 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 of Clyde Hill legislative body.

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

<u>Type of Deposit or Investment</u>	City of Clyde Hill's Own Deposits and Investments	Deposits and Investments Held by Clyde Hill for Others	Total
Bank deposits	\$ 1,239,213	\$ 2,257	\$ 1,241,470
Local Government Investment Pool	11,602,210	-	11,602,210
Total	\$ 12,841,422	\$ 2,257	\$ 12,843,680

It is the City of Clyde Hill's policy to invest all temporary cash surpluses. Per Policy Statement #9: Continue to consolidate and allocate all interest income earned on surplus City funds in the General Fund to better streamline the City's financial operations and further simplify the accounting system.

Investments in the State Local Government Investment Pool (LGIP)

The City of Clyde Hill is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Clyde Hill would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Clyde Hill's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Clyde Hill or its agent in the government's name.

Note 4 – Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at various times throughout each month.

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

The City of Clyde Hill's regular levy for the year 2021 was \$0.41165 per \$1,000 on an assessed valuation of \$3,023,501,150 for a total regular levy of \$1,244,624.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Clyde Hill and summarizes the City of Clyde Hill's debt transactions for year ended December 31, 2021. The City had no formal, written financing agreement type debt in 2021. The City's other liabilities reported on Schedule 9 as of December 31, 2021 include: 1) Compensated Absences \$131,247; 2) Department of Retirement Systems Pension Liability \$95,476; and 3) Other Post-Employment Benefits (OPEB) Liability \$798,100. The total calculated for other liabilities and reported on the Schedule of Liabilities (09) is \$1,024,823 at the end of 2021.

Note 6 – Other Post-Employment Benefits (OPEB)

The City of Clyde Hill has a commitment to pay for post-employment benefits for employees that belonged to the Law Enforcement Officers and Fire Fighters Pension Plan 1 (commonly referred to as LEOFF 1). These benefits include medical, vision and long-term care.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the city as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had two

(2) Police Department members, all retirees. As of December 31, 2021, Clyde Hill's total OPEB liability was \$798,100, as calculated using the alternative measurement method. For the year ended December 31, 2021, the city paid \$34,112 in benefits.

The City's proportionate share of Fire Department retirees is included in contractual payments to the City of Bellevue. In 2021, the City of Clyde Hill did not pay Bellevue Fire the regular annual amount for LEOFF I Fire retirees as the actuarial beginning balance outstanding was \$0 (reported on Schedule 9). The City has currently made sufficient LEOFF 1 Reserve contributions per the Fire Protection Services Agreement to the City of Bellevue.

Note 7 – Pension Plans

State Sponsored Pension Plans

City of Clyde Hill'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 (PERS 2 and 3) and Law Enforcement Officers and Fire Fighter's (LEOFF 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 obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

At June 30, 2021, the City of Clyde Hill's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$58,234	0.007818%	\$95,476
		Subtotal	\$95,476
PERS 2/3	\$95,170	0.010047%	(\$1,000,843)
LEOFF 1	\$0	0.004280%	(\$146,614)
LEOFF 2	\$47,952	0.024055%	(\$1,397,214)

LEOFF Plan 1

The City of Clyde Hill 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 of Clyde Hill 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.

Note 8 – Risk Management

- A. The City of Clyde Hill 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.

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

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

personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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

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

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

- B. The City of Clyde Hill 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, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state

of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

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

Note 9 – Joint Ventures and Related Parties

ARCH – Housing Coalition

A Regional Coalition for Housing (ARCH) was created in 1992 through an interlocal

agreement of several suburban governments in Eastside King County. ARCH helps establish a teamwork approach to solving local housing issues. ARCH is comprised of 15 Eastside cities & King County. The City of Clyde Hill became a member of ARCH in 1999.

ARCH is governed by an Executive Board composed of the chief executive officer from each agency. 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. In 2021, the City of Clyde Hill paid \$6,551 to ARCH for operations and contributed \$15,000 to ARCH for low-income housing here on the Eastside.

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 the members based on percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of the net position is deemed immaterial and thus is not reflected in the financial statement.

Budget monitoring information can be obtained from ARCH, 16625 NE 87th Street, Suite A-3, Redmond, WA 98052 (Email: info@archhousing.org or Phone: 425 961-3676)

NORCOM

In November of 2007, the City of Clyde Hill, with the cities of Bellevue, Kirkland, Bothell, Medina, Mercer Island and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2021, the City of Clyde Hill's share of these fees was \$85,025.

Additional financial information can be obtained from NORCOM, c/o Finance Manager, PO Box 50911, Bellevue, WA 98015.

Note 10 – COVID-19

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 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Federal funds in the amount of \$946,118 from the American Rescue Plan Act (ARPA) were awarded to the City of Clyde Hill to offset the expenses of the pandemic. In 2021, the first half of \$473,059 was received with the additional \$473,059 anticipated in 2022. These funds are being used to improve City Hall offices and council chambers to improve remote access, increase physical distancing, and create additional transparency of City activities and spending. Other improvements to technology as well as access to masks, tests, and other supplies to prevent the spread of COVID are available to employees. Additionally, the City authorized temporary premium pay to city workers that are required to operate onsite to keep city services and operations open.

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

Note 11 – Other Disclosures

SR 520 Lid Maintenance

WSDOT and the cities/towns of Clyde Hill, Medina, Hunts Point and Yarrow Point have been in negotiations to agree on the long-term maintenance and funding responsibility for facilities, built by and wholly within SR 520, a State limited access highway.

Throughout the design phase, the cities/towns were promised various landscape and related amenities as requirements to soften the impact of the new state highway facility. Now that those facilities are in place, WSDOT wants to impose ongoing capital and maintenance costs on the cities/towns even though it is evident that those facilities are not addressed in any related guidance documents and demand greater maintenance than typical state highway facilities. The expected capital and maintenance costs (\$250,000 annual) are such that they exceed the fiscal capabilities of these small communities. Cities put in this rare situation should not be faced with having to choose between substandard maintenance conditions or fiscal irresponsibility for a project that was not of their making, for facilities that are wholly owned by the State and are located wholly within the State highway.

The City is hopeful that further negotiations or a legislative clarification will resolve the current dispute.

**City of Clyde Hill
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						
263.56	Building Lease Liability	6/15/2029	69,195	-	9,885	59,310
263.56	Postage Meter Lease Liability	12/29/2023	1,464	-	732	732
Total General Obligation Debt/Liabilities:			70,659	-	10,617	60,042
Revenue and Other (non G.O.) Debt/Liabilities						
264.40	OPEB Liability		798,100	69,886	-	867,986
264.30	DRS Pension Liabilities		95,476	90,770	-	186,246
259.12	Compensated Absences		131,247	29,571	-	160,818
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,024,823	190,227	-	1,215,050
Total Liabilities:			1,095,482	190,227	10,617	1,275,092

**City of Clyde Hill
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		138,206	-	6,959	131,247
264.30	DRS Pension Liabilities		365,209	-	269,733	95,476
264.40	OPEB Liability		947,660	-	149,560	798,100
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,451,075	-	426,252	1,024,823
Total Liabilities:			1,451,075	-	426,252	1,024,823

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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

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