



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Burlington

For the period January 1, 2023 through December 31, 2023

Published January 21, 2025

Report No. 1036490



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

January 21, 2025

Council
City of Burlington
Burlington, Washington

Report on Financial Statements

Please find attached our report on the City of Burlington'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 Burlington January 1, 2023 through December 31, 2023

Council
City of Burlington
Burlington, 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 Burlington, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 13, 2025.

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

January 13, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Burlington January 1, 2023 through December 31, 2023

Council
City of Burlington
Burlington, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Burlington, as of and for the year ended December 31, 2023, 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 Burlington, and its changes in cash and investments, for the year ended December 31, 2023, 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 Burlington, as of December 31, 2023, 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 an opinion 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 January 13, 2025 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

January 13, 2025

FINANCIAL SECTION

City of Burlington January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

City of Burlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | Total for All Funds (Memo Only) | 001 General Fund | 101 City Street Fund | 102 Arterial Street Fund |
|-----------------------------------------------------|--------------------------------|------------------------------------------------|-----------------------------|---------------------------------|-------------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 32,776,488 | 9,308,603 | 203,721 | 99,481 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 18,984,217 | 16,347,396 | - | - |
| 320 | Licenses and Permits | 776,419 | 724,141 | 20,395 | - |
| 330 | Intergovernmental Revenues | 4,242,415 | 1,007,559 | 219,184 | 928,285 |
| 340 | Charges for Goods and Services | 8,133,472 | 457,430 | 898 | 208,640 |
| 350 | Fines and Penalties | 116,166 | 77,433 | - | - |
| 360 | Miscellaneous Revenues | 1,089,527 | 483,279 | 8,284 | 3,132 |
| Total Revenues: | | 33,342,216 | 19,097,238 | 248,761 | 1,140,057 |
| Expenditures | | | | | |
| 510 | General Government | 4,049,947 | 4,049,947 | - | - |
| 520 | Public Safety | 12,801,732 | 6,862,755 | - | - |
| 530 | Utilities | 4,239,719 | 107,712 | - | - |
| 540 | Transportation | 1,338,932 | 297,270 | 1,041,662 | - |
| 550 | Natural/Economic Environment | 1,115,044 | 530,010 | - | - |
| 560 | Social Services | 447,804 | 30,490 | - | - |
| 570 | Culture and Recreation | 2,601,000 | 2,544,659 | - | - |
| Total Expenditures: | | 26,594,178 | 14,422,843 | 1,041,662 | - |
| Excess (Deficiency) Revenues over Expenditures: | | 6,748,038 | 4,674,395 | (792,901) | 1,140,057 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 4,418,246 | - | 729,103 | 786,250 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 1,924,023 | 70,880 | 7,205 | 23,458 |
| Total Other Increases in Fund Resources: | | 6,342,269 | 70,880 | 736,308 | 809,708 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 6,235,531 | 744,176 | - | 1,912,049 |
| 591-593, 599 | Debt Service | 384,173 | 36,766 | 11,919 | - |
| 597 | Transfers-Out | 4,418,246 | 3,381,996 | - | 50,000 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 1,899,661 | 1,821,715 | - | 29,115 |
| Total Other Decreases in Fund Resources: | | 12,937,611 | 5,984,653 | 11,919 | 1,991,164 |
| Increase (Decrease) in Cash and Investments: | | 152,696 | (1,239,378) | (68,512) | (41,399) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | 391,792 | - | - | - |
| 50831 | Restricted | 4,253,461 | 271,965 | 7,205 | 58,080 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 21,172,543 | 685,874 | 128,004 | - |
| 50891 | Unassigned | 7,111,392 | 7,111,392 | - | - |
| Total Ending Cash and Investments | | 32,929,188 | 8,069,231 | 135,209 | 58,080 |

The accompanying notes are an integral part of this statement.

City of Burlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 103 First Step Center Operating | 104 1590 Fund | 105 Fiber Fund | 107 Park Endowment Fund |
|-----------------------------------------------------|--------------------------------|------------------------------------------------|----------------------|-----------------------|----------------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 58,907 | 932,560 | 281,059 | 23,766 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 76,198 | 1,171,490 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 494 | 31,708 | 78,801 | 479 |
| Total Revenues: | | 76,692 | 1,203,198 | 78,801 | 479 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | 39,742 | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | 116,163 | 300,000 | - | - |
| 570 | Culture and Recreation | - | - | - | 2,925 |
| Total Expenditures: | | 116,163 | 300,000 | 39,742 | 2,925 |
| Excess (Deficiency) Revenues over Expenditures: | | (39,471) | 903,198 | 39,059 | (2,446) |
| 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 | - | - | 4,590 | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | - | - | 4,590 | - |
| Increase (Decrease) in Cash and Investments: | | (39,471) | 903,198 | 34,469 | (2,446) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 17,920 | 1,799,072 | - | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 1,517 | 36,685 | 315,528 | 21,320 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 19,437 | 1,835,757 | 315,528 | 21,320 |

The accompanying notes are an integral part of this statement.

City of Burlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 150 Fire | 197 Lodging Tax Fund | 201 Debt Service Fund | 301 Local Capital Improvement |
|-----------------------------------------------------|--------------------------------|------------------|---------------------------------|----------------------------------|----------------------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 548,343 | 722,720 | 193,490 | 4,489,239 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | 641,090 | - | 748,043 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 1,988,963 | - | - | - |
| 340 | Charges for Goods and Services | 806,698 | - | - | 70,404 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 15,511 | 16,846 | 5,215 | 85,707 |
| Total Revenues: | | 2,811,172 | 657,936 | 5,215 | 904,154 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | 5,938,977 | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | 585,034 | - | - |
| 560 | Social Services | - | - | - | 1,151 |
| 570 | Culture and Recreation | - | - | - | 53,416 |
| Total Expenditures: | | 5,938,977 | 585,034 | - | 54,567 |
| Excess (Deficiency) Revenues over Expenditures: | | (3,127,805) | 72,902 | 5,215 | 849,587 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 2,586,827 | - | 314,980 | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 11,003 | - | - | 1,800,000 |
| Total Other Increases in Fund Resources: | | 2,597,830 | - | 314,980 | 1,800,000 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | - | 2,535,337 |
| 591-593, 599 | Debt Service | 3,529 | - | 329,057 | - |
| 597 | Transfers-Out | - | - | - | 986,250 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 3,529 | - | 329,057 | 3,521,587 |
| Increase (Decrease) in Cash and Investments: | | (533,504) | 72,902 | (8,862) | (872,000) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | 695,604 | - | 1,392,138 |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 14,839 | 100,015 | 184,628 | 2,225,099 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 14,839 | 795,619 | 184,628 | 3,617,237 |

The accompanying notes are an integral part of this statement.

City of Burlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 401 Sewer Fund | 425 Storm Drain Fund | 501 Equipment Rental & Repair Fund | 502 Computer Rental & Replacement |
|-----------------------------------------------------|--------------------------------|-----------------------|-----------------------------|-----------------------------------------------|----------------------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 8,849,065 | 3,875,871 | 2,466,195 | 340,846 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | 31,883 | - | - | - |
| 330 | Intergovernmental Revenues | - | 98,424 | - | - |
| 340 | Charges for Goods and Services | 4,590,018 | 1,365,679 | 433,670 | 200,035 |
| 350 | Fines and Penalties | 38,733 | - | - | - |
| 360 | Miscellaneous Revenues | 207,080 | 84,312 | 51,707 | 8,888 |
| Total Revenues: | | 4,867,714 | 1,548,415 | 485,377 | 208,923 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | 2,792,498 | 1,299,767 | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 2,792,498 | 1,299,767 | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 2,075,216 | 248,648 | 485,377 | 208,923 |
| 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 | 11,477 | - | - | - |
| Total Other Increases in Fund Resources: | | 11,477 | - | - | - |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 645,404 | - | 357,229 | 36,746 |
| 591-593, 599 | Debt Service | 2,040 | 862 | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 48,831 | - | - | - |
| Total Other Decreases in Fund Resources: | | 696,275 | 862 | 357,229 | 36,746 |
| Increase (Decrease) in Cash and Investments: | | 1,390,418 | 247,786 | 128,148 | 172,177 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 11,477 | - | - | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | 10,228,010 | 4,123,660 | 2,594,343 | 513,021 |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 10,239,487 | 4,123,660 | 2,594,343 | 513,021 |

The accompanying notes are an integral part of this statement.

City of Burlington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 701 Cemetery Endowment Fund |
|-----------------------------------------------------|--------------------------------|--------------------------------------------|
| | | <hr/> |
| Beginning Cash and Investments | | |
| 308 | Beginning Cash and Investments | 382,622 |
| 388 / 588 | Net Adjustments | - |
| Revenues | | |
| 310 | Taxes | - |
| 320 | Licenses and Permits | - |
| 330 | Intergovernmental Revenues | - |
| 340 | Charges for Goods and Services | - |
| 350 | Fines and Penalties | - |
| 360 | Miscellaneous Revenues | 8,084 |
| Total Revenues: | | <hr/> 8,084 |
| Expenditures | | |
| 510 | General Government | - |
| 520 | Public Safety | - |
| 530 | Utilities | - |
| 540 | Transportation | - |
| 550 | Natural/Economic Environment | - |
| 560 | Social Services | - |
| 570 | Culture and Recreation | - |
| Total Expenditures: | | <hr/> - |
| Excess (Deficiency) Revenues over Expenditures: | | <hr/> 8,084 |
| Other Increases in Fund Resources | | |
| 391-393, 596 | Debt Proceeds | - |
| 397 | Transfers-In | 1,086 |
| 385 | Special or Extraordinary Items | - |
| 381, 382, 389, 395, 398 | Other Resources | - |
| Total Other Increases in Fund Resources: | | <hr/> 1,086 |
| Other Decreases in Fund Resources | | |
| 594-595 | Capital Expenditures | - |
| 591-593, 599 | Debt Service | - |
| 597 | Transfers-Out | - |
| 585 | Special or Extraordinary Items | - |
| 581, 582, 589 | Other Uses | - |
| Total Other Decreases in Fund Resources: | | <hr/> - |
| Increase (Decrease) in Cash and Investments: | | <hr/> 9,170 |
| Ending Cash and Investments | | |
| 50821 | Nonspendable | 391,792 |
| 50831 | Restricted | - |
| 50841 | Committed | - |
| 50851 | Assigned | - |
| 50891 | Unassigned | - |
| Total Ending Cash and Investments | | <hr/> 391,792 |

The accompanying notes are an integral part of this statement.

City of Burlington
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | Custodial |
|-----------|--------------------------------------------------|------------------|
| 308 | Beginning Cash and Investments | 16,622 |
| 388 & 588 | Net Adjustments | - |
| 310-390 | Additions | 257,686 |
| 510-590 | Deductions | 255,277 |
| | Net Increase (Decrease) in Cash and Investments: | 2,409 |
| 508 | Ending Cash and Investments | 19,032 |

The accompanying notes are an integral part of this statement.

City of Burlington
Notes to the Financial Statements
For the year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The City of Burlington was incorporated on June 2, 1902 and operates under the laws of the state of Washington applicable to a code city with a strong mayor – council form of government. The City of Burlington is a general purpose local government and provides police protection, municipal court, legal, building, engineering and planning, code enforcement, cemetery, animal control, fire protection, emergency medical services, street construction, maintenance and improvements, parks and recreation, public library, storm water and sewage disposal, senior services, finance and accounting and general administrative services.

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

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

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.

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.

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 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 of Burlington 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 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 two years. Capital assets and inventory are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 25 days (10 24-hour “days” for firefighters) and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Eight (8) hours is compensable to the employee at his/her contractual rate of pay at the time of payment for every 32 hours accrued in excess of the 960 hour limit. Upon separation or retirement employees do not receive payment for unused sick leave.

F. Long-Term Debt

See Note 7, Long-Term Debt (*Formerly Debt Service Requirements*).

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 ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

The city’s Ending Cash and Investments consists of \$4,253,461 in Restricted Funds. The restricted fund balances include General Fund (001) where funds are restricted through refundable deposits held for rental facilities and impact fees, Street Fund (101) where retainage is restricted, Arterial Street Fund (102) where impact fees are restricted for street and road projects and retainage is restricted, First Step Center Operating Fund (103) where taxes are restricted to provide affordable housing, 1590 Housing & Related Services (104) where taxes are restricted to provide housing and related services, Lodging Tax Fund (197) where tax revenue is restricted for tourism/promotional expenses as required by state law, Parks Capital Fund (301) where revenue from taxes and impact fees are reserved for capital project expenses, Sewer Fund (401) where retainage is restricted until the completion of projects.

| Fund | Restricted Balance |
|------------------------------------|---------------------------|
| General (001) | \$271,965 |
| City Street Fund (101) | \$7,205 |
| Arterial Street (102) | \$58,080 |
| First Step Center Operations (103) | \$17,920 |
| 1590 Housing & Related Svc (104) | \$1,799,072 |
| Lodging Tax (197) | \$695,604 |
| Capital Projects Fund (301) | \$1,392,138 |
| Sewer (401) | \$11,477 |
| Total Restricted | \$4,253,461 |
| | |

Note 2 – Budget Compliance

The City of Burlington adopts annual appropriated budgets for all funds except Fund 635 Court Trust Fund and Fund 630 Agency Fund. 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 | Final Appropriated Amounts | Actual Expenditures | Variance |
|---------------------------------|-----------------------------------|----------------------------|--------------------|
| General | \$21,806,966 | \$21,310,331 | \$496,635 |
| City Street | \$1,055,815 | \$1,053,581 | \$2,234 |
| Arterial Street | \$4,943,000 | \$1,991,164 | \$2,951,836 |
| First Step Operating | \$230,000 | \$116,163 | \$113,837 |
| 1590 | \$1,100,000 | \$300,000 | \$800,000 |
| Fiber | \$242,740 | \$44,332 | \$198,407 |
| Park Endowment | \$3,050 | \$2,925 | \$125 |
| Fire - EMS | \$5,978,889 | \$5,942,505 | \$36,385 |
| Lodging Tax | \$610,000 | \$585,037 | \$24,963 |
| Debt Service | \$329,980 | \$329,057 | \$923 |
| Local Capital Improvement | 5,633,166 | 3,576,155 | \$2,057,011 |
| Sewer | \$5,130,090 | \$4,688,770 | \$441,320 |
| Storm Drainage | \$1,862,865 | \$1,550,625 | \$312,240 |
| Equipment Rental & Replacement | \$699,221 | \$357,229 | \$341,992 |
| Computer Rental and Replacement | \$314,034 | \$36,745 | \$277,288 |
| | \$49,939,817 | \$41,884,621 | \$8,055,196 |

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

Note 3 – Deposits and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments are reported at original cost. Investments by type at December 31, 2023 are as follows:

| Note 3 - Deposits and Investments | | | |
|-----------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------|
| Type of Investment | City's own deposits and investments | Deposits and Investments held by City as custodian for other local governments, individuals or private organizations. | Total |
| Bank Deposits | \$890,823 | \$19,032 | \$909,855 |
| L.G.I.P. | \$7,426,040 | \$0 | \$7,426,040 |
| U.S. Government Securities | \$24,612,322 | \$0 | \$24,612,322 |
| | | | |
| | | | |
| Total | \$32,929,185 | \$19,032 | \$32,948,217 |

The City 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 for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City'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 or its agent in the government's name.

Note 4 – Interfund Loans

The Following table displays interfund loan activity during 2023:

| Borrowing Fund | Lending Fund | Balance 1/1/2023 | New Loans | Repayments | Balance 12/31/23 |
|-------------------------------|---------------------|------------------|-------------|------------|------------------|
| 102-Arterial Street | 001-Current Expense | \$288,000 | \$0 | \$0 | \$288,000 |
| 301-Local Capital Improvement | 001-Current Expense | \$0 | \$1,800,000 | | \$1,800,000 |
| | Totals | \$288,000 | \$1,800,000 | \$0 | \$2,088,000 |

Note 5 - Leases

All leasing arrangements are listed in the following table:

| Lease Contract Number | Quantity | Lessor | Location/Description | Start Date | End Date | Lease Term | Remaining Payments | Monthly Lease Payment |
|-----------------------|----------|---------------|------------------------------------|------------|------------|------------|--------------------|-----------------------|
| 014-1160455-001 | 1 | Oasys Inc | Police, Copy Machine | 5/20/2022 | 5/28/2027 | 60 | 26 | \$1,473.27 |
| | 1 | Oasys Inc | Police, Copy Machine | | | | | |
| | 1 | Oasys Inc | Police, Copy Machine | | | | | |
| | 1 | Oasys Inc | Library, Copy Machine | | | | | |
| | 1 | Oasys Inc | Library, Copy Machine | | | | | |
| | 1 | Oasys Inc | Court, Copy Machine | | | | | |
| | 1 | Oasys Inc | Finance, Copy Machine | | | | | |
| | 1 | Oasys Inc | Engineering, Copy Machine | | | | | |
| | 1 | Oasys Inc | Fire, Copy Machine | | | | | |
| | 1 | Oasys Inc | Planning, Copy Machine | | | | | |
| | 1 | Oasys Inc | Executive Office, Copy Machine | | | | | |
| | 1 | Oasys Inc | Parks/Rec, Copy Machine | | | | | |
| 003-1401630-000 | 1 | Oasys Inc | Street Dept., Copy Machine | 11/6/2018 | 11/28/2023 | 60 | 0 | \$111.29 |
| 003-1312150-000 | 1 | Oasys Inc | Sewer Dept., Copy Machine | 1/18/2018 | 1/28/2023 | 60 | 0 | \$85.00 |
| | | | | | | | | |
| N21121456 | 1 | Quadient | City Hall, Postage Machine | 2/1/2022 | 1/31/2027 | 60 | 37 | \$306.61 |
| 2023-11 | 1 | Nick Crandall | Parking Lot 425 East Fairhaven St. | 12/1/2022 | 11/30/2024 | 23 | 10 | \$850.00 |
| 40227692 | 1 | BNSF Railway | Public Park and Rest Stop | 3/1/1978 | Indefinite | Indefinite | N/A | \$11.54 |
| 2019-60 | 1 | FP Mailing | Library | 4/25/2019 | 4/25/2022 | 36 | 0 | \$26.00 |

The total amount paid for leases in 2023 was \$34,052.46. As of December 31, 2023, the future lease payments are as follows:

| Year Ended December 31 | Total |
|------------------------|--------------------|
| | |
| 2024 | \$31,721.98 |
| 2025 | \$31,121.98 |
| 2026 | \$21,496.98 |
| 2027 | \$7,811.38 |
| 2028-2032 | N/A |
| Total: | \$92,152.32 |

Note 6 - 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 the end of each month.

| Property Tax Calendar | |
|------------------------------|---------------------------------------------------------------------------------------------|
| 1-Jan | Tax is levied and becomes an enforceable lien against the properties. |
| 14-Feb | Tax bills are mailed |
| 30-Apr | First of two equal installment payments are due |
| 31-May | Assessed value of property established for next year's levy at 100 percent of market value. |
| 31-Oct | Second installment is due |

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

The City's regular levy for the year 2023 was \$1.2804 per \$1,000 on an assessed valuation of \$2,305,735,795 for a total regular levy of \$2,952,376.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

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 year ended December 31, 2023.

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

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------|------------------|-----------------|--------------|
| 2024 | \$295,281 | \$19,699 | \$314,980 |
| 2025 | \$296,418 | \$18,562 | \$314,980 |
| 2026 | \$303,128 | \$11,853 | \$314,980 |
| 2027 | \$299,030 | \$4,991 | \$304,021 |
| Totals: | \$1,193,857 | \$55,105 | \$1,248,962 |

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all 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. (PERS, PERS 2/3, LEOFF 1, and 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 downloaded from the DRS website at www.drs.wa.gov.

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.

At June 30, 2023 (the measurement date of the plans), the city'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 | \$221,289 | .032474% | \$741,294 |
| PERS 2/3 | \$368,281 | .041887% | \$(1,716,815) |
| LEOFF 1 | | .007877% | \$(233,791) |
| LEOFF 2 | \$280,028 | .124062% | \$(2,975,749) |

B. Deferred Compensation

The City provides a maximum of 6.2% of the Firefighter Base Wage Rate (BWR) per month in matching dollars within the City's Deferred Compensation Plan. An employee may choose to increase his/her portion of the contribution above the matching share of 6.2% of the (BWR). However, should the employee invest less than the 6.2% of the (BWR) the city will only match the amount the employee contributes to the City's recognized Deferred Compensation Program. This Program is designed as an alternative to participating in Social Security.

C. International City Management Association Retirement Corporation ("ICMA-RC")

The City participates in an ICMA-RC plan on behalf of the City Administrator and in lieu of the City's other retirement plans. This plan is administered in accordance with the requirements for plans which satisfy the qualification requirements of Section 401 of the

Internal Revenue Code and other applicable federal law. Contribution rates follow the PERS 2 Rates, which were 6.36% of wages for the employee and 9.53% for the employer at the end of 2023. Total employer contributions in 2023 were \$19,946.55.

Note 9 – Risk Management

The City of Burlington is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local 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 169 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 \$1,000,000 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 10 – Health & Welfare

The City of Burlington 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, 2023, 264 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 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 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 HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. 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 Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The 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 11 – OPEB Plans

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. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2023, the plan had three members, all retirees. As of December 31, 2023, the city's total OPEB liability was \$1,515,112 as calculated using the alternative measurement method. For the year ended December 31, 2023, the city paid \$31,505 in benefits.

During the year ended 2019, the city adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

Note 12 – Telecommunication Services

The city's fiber system has 2 basic modes of operations, one is dark fiber leasing and the other is Passive Optical Networking (PON). PON uses fiber splitters which makes the best use of fiber, but also makes the fiber more complex as it is a point to multipoint, much like a tree trunk- tree branch topology.

The city does not provide internet telecommunications services. It partners with Internet Service Providers (ISP's) who provide internet services. The ISP's mainly use their managed equipment PON systems and each ISP is separate from the other. The city does not charge for lease lines for PON fiber use, it charges per end customer. The current charge is 15% of what the ISP charges per month, or a \$25.00 minimum.

The exception is Wholesale Networks (NOEL) which uses central point to end point direct fiber, the city receives 25% of the customer bill.

Summary of charges:

Mode 1a: Dark fiber lease to an ISP (\$175/M) to get from one point to another. Not based on speed or type of use.

Mode 1b: Dark fiber lease to a business (varies \$175/M or \$125/M for lateral) Not based on speed or type of use.

Mode 1c: Dark fiber lease to an agency or a non-profit (\$175/M) to get from one point to another.

PON Mode 2: 15% or \$25.00 minimum to an end business customer, regardless of what fiber strands are used or quantity of fiber strands required.

The city also charges for equipment rack use.

Total revenues, expenses and capital outlay for 2023 are listed in the table below:

| | Telecommunication Services | Amount |
|-----------------|---------------------------------------------------|---------------|
| Revenues: | | |
| | Wholesale Fiber Service to ISP | |
| | Wholesale Fiber Service to Governments | |
| | Retail Telecommunication Services | |
| | Fiber Leasing | |
| | Installation Charges | |
| | Equipment Sales | |
| | Other - Dark Fiber, ISP Contracted Fees, Interest | \$78,801 |
| Expenses: | | |
| | Administration and General | \$17,718 |
| | Repairs and Maintenance | |
| | Tower Lease | |
| | Interconnection Access | |
| | Other - Miscellaneous Fees and Supplies | \$22,024 |
| | | |
| Capital Outlay: | | |
| | Current | \$4,590 |
| | Cummulative Service Beginning | \$4,668 |

Note 13 – Subscription Based Information Technology Arrangements (SBITA)

During the year ended 2023, the city adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability to be reported on the Schedule of Liabilities.

The city has determined there are no subscriptions to report in 2023.

**City of Burlington
Schedule of Liabilities
For the Year Ended December 31, 2023**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|-------------------------------------------------------------|--------------------------------|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | North Burlington Boulevard | 12/1/2027 | 1,471,804 | - | 277,947 | 1,193,857 |
| Total General Obligation Debt/Liabilities: | | | 1,471,804 | - | 277,947 | 1,193,857 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 259.12 | Compensated Absences | 12/31/2022 | 588,366 | 49,572 | - | 637,938 |
| 264.30 | Net Pension Liability | | 909,959 | - | 168,665 | 741,294 |
| 264.40 | Other Post Employment Benefits | | 1,456,565 | 58,547 | - | 1,515,112 |
| 263.57 | Lease Obligations | 5/28/2027 | 112,009 | 14,196 | 34,053 | 92,152 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 3,066,899 | 122,315 | 202,718 | 2,986,496 |
| Total Liabilities: | | | 4,538,703 | 122,315 | 480,665 | 4,180,353 |

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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