

City of Redmond



Agenda

Special Meeting Notice and Agenda

Tuesday, October 15, 2024

6:30 PM

City Hall: 15670 NE 85th St; Remote: Comcast Ch. 21/321, Ziplly Ch. 34,
Facebook (@CityofRedmond), Redmond.gov/rctlive, or 510-335-7371

City Council

Mayor

Angela Birney

Councilmembers

Vanessa Kritzer, President

Jessica Forsythe, Vice President

Jeralee Anderson

Steve Fields

Angie Nuevacamina

Osman Salahuddin

Melissa Stuart

Redmond City Council Agendas, Meeting Notices, and Minutes are available on the City's Web

Site: <http://www.redmond.gov/CouncilMeetings>

FOR ASSISTANCE AT COUNCIL MEETINGS FOR THE HEARING OR VISUALLY IMPAIRED:

Please contact the City Clerk's office at (425) 556-2194 one week in advance of the meeting.

Meetings can be attended in person, viewed live on RCTV (redmond.gov/rctlive), Comcast Channel 21/321, Ziplly Channel 34, Facebook/YouTube (@CityofRedmond), or listen live at 510-335-7371

AGENDA

ROLL CALL

1. 2022 Financial Audit Exit Conference

[Exit Conference packet](#)

ADJOURNMENT

Meeting videos are usually posted by 12 p.m. the day following the meeting at redmond.legistar.com, and can be viewed anytime on Facebook/YouTube (@CityofRedmond) and OnDemand at redmond.gov/OnDemand



Memorandum

Date: 10/15/2024
Meeting of: City Council Special Meeting

File No. SPC 24-076
Type: Verbal Report

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Finance	Kelley Cochran	425-556-2748
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DEPARTMENT STAFF:

Finance	Haritha Narra	Deputy Finance Director
Finance	Julie Elsom	Finance Manager
Finance	Nida Hermoso	Finance Manager

TITLE:
2022 Financial Audit Exit Conference

OVERVIEW STATEMENT:

Staff from the office of the Washington State Auditor will share the results of the City’s 2022 financial audit and draft reporting.

Additional Background Information/Description of Proposal Attached

REQUESTED ACTION:

Receive Information **Provide Direction** **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
In accordance with generally accepted accounting principles cities over 2,500 in population must have an annual audit.
- **Required:**
N/A
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

The mission of the office of the Washington State Auditor is to provide independent and transparent examinations of how state and local governments use public funds and develop strategies that make government more efficient and effective.

The auditor performed a financial statement audit to provide an independent opinion on the City's financial statements and results of operations to determine if the financial statements present a reliable, accurate picture of the City's finances. There was a planned delay in the timing of the 2022 audit due to the implementation of the City's new Financial System (D365), which went live in July 2023. The delay will also impact the timing of the 2023 audit. A delayed audit is typical when financial systems are impacted, and the City has been working in partnership with the State Auditor's Office to allow for the exception to the standard audit practice. The creation of the City's 2023 financial statements is currently underway but cannot be finalized until the 2022 audit has been completed.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:

The cost for 2022 audit was estimated to be \$122,000.

Approved in current biennial budget: **Yes** **No** **N/A**

Budget Offer Number:

21

Budget Priority:

Strategic and Responsive

Other budget impacts or additional costs: **Yes** **No** **N/A**

If yes, explain:

N/A

Funding source(s):

General Fund

Budget/Funding Constraints:

N/A

Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
5/28/2024	Study Session	Receive Information

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

N/A

ANTICIPATED RESULT IF NOT APPROVED:

N/A

ATTACHMENTS:

Attachment A: City of Redmond 2022 Financial Audit Exit Conference Packet



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: City of Redmond

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Financial statement and federal grant compliance audits for January 1, 2022 through December 31, 2022 – see draft report.

Audit Highlights

- We would like to thank Julie Elsom, Accounting Manager, and City staff for their cooperation and assistance throughout the audit.
- We would like to recognize the City's commitment to fiscal and accurate financial reporting.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or noncompliance with laws or regulations that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Financial Statement Audit Communication

We would like to bring the following to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements. However, the conditions that led to these misstatements may result in more significant misstatements if not corrected.
- The audit addressed the following risks, which required special consideration:
 - Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at <https://portal.sao.wa.gov/SAOPortal>.

Management Representation Letter

We have included a copy of representations requested of received from management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$109,000 and actual audit costs will approximate \$121,519. Additional hours were required to complete our review over GASB 87 – leases implementation, schedule of expenditures of federal awards substantiation, capital assets, state treasurer distributions, and intergovernmental revenues.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in Winter 2024 and will cover the following general areas:

- Accountability for public resources
- Financial statement
- Federal programs

The estimated cost for the next audit based on current rates is \$162,100 including travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond

to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

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Angela Funamori, Audit Lead, (206) 613-7633, Angela.Funamori@sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

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Financial Statements and Federal Single Audit Report

City of Redmond

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

Published (Inserted by OS)

Report No. 1035798



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

Issue Date – (Inserted by OS)

Mayor and City Council
City of Redmond
Redmond, Washington

Report on Financial Statements and Federal Single Audit

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

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

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Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster
97.047	BRIC: Building Resilient Infrastructure and Communities

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Redmond

January 1, 2022 through December 31, 2022

2022-001 The City’s internal controls were inadequate for ensuring proper revenue recognition.

Background

The City Council, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance the City’s financial reporting is reliable and its financial statements are accurate.

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City’s ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor’s Office to communicate significant deficiencies in internal controls as a finding.

Description of Condition

Under generally accepted accounting principles, revenues are recognized in the governmental funds in the accounting period in which they become measurable and available to finance the expenditures of the fiscal period. As described in Note 1 to the financial statements, the City considers revenue to be available if it is collected during the year or within 60 days after year-end.

We found the City had control deficiencies to evaluate the accurate recording of revenue in the accounting system and financial statements. The City recognized grant funds as intergovernmental revenues even though it did not collect these amounts within 60 days after year-end. Therefore, the City should have recognized the revenues as deferred inflows - unavailable revenue.

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Cause of Condition

The City experienced turnover in key accounting positions. Further, the City's finance department revised its processes to capture all unavailable revenue. However, the new process was manual and inadequate. If a department had a year-end billing, it needed to be recorded on an Excel spreadsheet for the finance department to evaluate whether the revenue was within the 60 days after year end.

For the errors identified above, departments did not include these billings on the spreadsheet for finance to review. As a result, the amounts were reported as a revenue when it should have been a deferred inflow - unavailable revenue.

Effect of Condition

The deficiency in internal controls resulted in intergovernmental revenues being overstated by \$4,438,699 and unavailable revenue (deferred inflow) being understated by the same amount in the capital improvements fund. The City should not have reported this as a revenue since it did not collect it until March through May of 2023.

Recommendation

We recommend the City strengthen its year-end review process to ensure activities have met the revenue recognition criteria in accordance with GAAP.

City's Response

The City of Redmond thanks the State Auditor's Office (SAO) for the open communication throughout the fiscal year 2022 audit as well as the opportunity to respond to the audit finding. The City appreciates the efforts of the State Auditor's Office regarding the audit, we take full accountability for the error documented and are proactively working toward steps to prevent recurrence.

For the benefit of Redmond residents, this matter does not represent any misuse of public funds. Rather, it represents a reporting error involving grant funding received in 2023 being reported as revenue in 2022. Due to funds not being received within 60 days of year end the City should have reported this revenue as unavailable.

For the 2022 reporting period, our processes and procedures were revised to prevent this error and ensure all unavailable revenue was captured and reported accurately; unfortunately, the process put in place was very manual and was not adequate. In addition, the City was implementing a new financial software system and experiencing turnover in key accounting personnel. Positions have since been filled.

The City makes every effort to ensure accurate financial reporting and to make sure the financial statements are a true and correct representation of its financial standing and takes the accuracy of its financial reporting very seriously. Our approach includes the following:

- *Review guidance and resources available from:*
 - *The State Auditor’s Office (SAO),*
 - *The Government Finance Officers Association (GFOA),*
 - *Washington Finance Officers Association (WFOA), and*
 - *Governmental Accounting Standards Board (GASB)*
- *Accounting staff prepares the financial statements.*
- *The Financial Planning Division reviews the statements for accuracy.*
- *The Accounting Manager reviews the statements against best practices.*
- *The Deputy Finance Director and the Director review the statements.*
- *The review of our 2022 financial statements also included an external review process. The City hired an accounting firm to consult with and review the cities financial report.*

To ensure adequate reporting of grant related revenue in the future the city has taken measures to address internal controls including:

- *Process and Procedures for 2023 reporting have been updated.*
- *Staffing weaknesses have been addressed.*
- *A dedicated grant management and reporting system was implemented in 2023.*
- *Vacant positions have been filled.*
- *Capacity issues have been addressed (2 accountants were added in 2024 and 1 financial analyst).*
- *Accounting and financial reporting software systems are being considered to further address reporting requirements and deficiencies.*

Auditor’s Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City’s corrective action during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.6.9, Revenue Accruals in Governmental Funds.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.5.1, Classification of Deferred Outflows/Inflows of Resources

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 2021	Report Ref. No.: 2021-001	Finding Ref. No.: 1031765
Finding Caption: The City's internal controls were inadequate for ensuring proper revenue recognition.		
Background: During 2021 the City had unusual or infrequent transactions and while City staff performed research to evaluate the accurate recording in the accounting system and financial statements, we noted it was not adequate to fully evaluate and report on these unusual transactions. The City considers revenue to be available if it is collected during the year or within 60 days after year-end. The City recognized paramedic services as revenue even though it was not collected until September 2022, nine months after year-end. Charges for Services (revenue) was overstated by \$1,099,725, and Unavailable Revenue (deferred inflow) was understated by the same amount in the Advance Life Support Fund. The City should not have reported this as a revenue since it was not collected until September 2022. Additionally, the City reports two community facilities districts as blended component units in its Capital Improvements Program Fund. A total of \$48.9 million was advanced to the City at the time both districts were formed. As of December 31, 2021, the unspent deposits totaled \$13,352,386. Unearned Revenues (liability) was understated by \$13,352,386, and Deferred Inflow – Unavailable Revenues (Special Assessments) was overstated by the same amount in the Capital Improvements Program Fund. The City should not have reported a deferred inflow because it had already received the money in advance at the time both CFDs were formed. The City subsequently corrected these misstatements.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		

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Corrective Action Taken:

The City of Redmond disagrees with the findings of this audit. The City has a long history of accurate financial reporting and a many pronged approach to make sure the financial statements are a true and correct representation of its financial standing and takes the accuracy of its financial reporting very seriously. We have a proven track record that our internal controls and management oversight is adequate. Our approach includes the following:

- *Accounting staff prepares the financial statements.*
- *The Financial Planning Division reviews the statements for accuracy.*
- *The Accounting Manager reviews the statements against best practices.*
- *The Deputy Finance Director and the Director review the statements.*
- *The review of our 2021 financial statements also included an external review process.*

The City hired an accounting firm to consult with and review the cities financial report.

In 2021 the City reported \$1,099,725 as charges for services revenue in the ALS fund for services incurred and billed in 2021. Revenue Recognition guidance in the Governmental Accounting, Auditing and Financial Reporting (GAAFR) published by GFOA, beginning on page 135; states, “Under the accrual basis of accounting, revenues are recognized when an entity obtains a claim to the resources (earning process substantially complete); regardless of when collection occurs.” Guidance further clarifies revenue recognition by stating that in such unusual circumstances, where the government hasn’t collected within its 60-day availability period, the government can recognize revenue based on its normal collection patterns. In this case, revenue was related to December 2021 expenditures and had been billed to King County; past practices would indicate the City would receive payment within 30 days of billing. Based on our interlocal agreement in place, King County is required to pay invoices within 30 days. This is an unusual circumstance; based on the above criteria, the City met the reporting requirements and recorded the transaction correctly. In fact, not recording the transaction would have misled the reader. The City updated the financial statements to comply with the audit team’s recommendation. In addition, the City updated our policy to provide clarification; it now includes the following language, “In unusual circumstances, where payment has been delayed beyond the 60-day cut off, the City may recognize the revenue based on normal collection patterns as to not mislead the reader or distort revenue trends from one year to the next.”

In 2021 the City reported Unearned Revenue related to Community Facilities Districts (CFD) 2014-1 & 2016-1. The CFDs were established in 2014 and 2016, at that time the City consulted with SAO to ensure accounting standards and practices were followed; reporting in 2021 is consistent with past practice and historical audited statements, the City recorded \$13,352,386 as Deferred Inflow – Unavailable Revenues (Special Assessments) in the Capital Improvements Program Fund. Community Facilities Districts are considered Special Purpose Districts and are legally separate entities with its own governing board. The City has no financial liability and although the funding was received in advance of the Project, funding is

not available without Board approval. Revenue Recognition guidance in the Governmental Accounting, Auditing and Financial Reporting (GAAFR) published by GFOA, provides the following guidance, “the receipt of cash is not a sufficient basis for recognizing revenue. A government must obtain a claim to resources (earning) before revenue recognition can occur.” Guidance further clarifies revenue recognition by stating that a deferred inflow of resources should be recognized for amounts not considered to be available to liquidate liabilities of the current period. Revenue should not be recognized until relevant Project costs have occurred and funding is not available without board approval. Based on the above criteria the City believes we recorded the transaction accurately. The City updated the financial statements to comply with the audit team’s recommendation.

Measures have been put in place to proactively monitor and address concerns:

- *Additional training has been provided to new staff.*
- *Processes and procedures were updated to provide additional monitoring and tracking of when revenues are billed and received.*
- *Additional levels of review for year-end receivables drafted during year end; specifically, to ensure revenue is received and recorded accordingly.*

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 Redmond January 1, 2022 through December 31, 2022

Mayor and City Council
City of Redmond
Redmond, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redmond, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 15, 2024.

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. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001, that we consider to be significant deficiencies.

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*.

CITY’S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Pat McCarthy, State Auditor

Olympia, WA

October 15, 2024

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Redmond
Redmond, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Redmond, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

October 15, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Redmond
Redmond, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redmond, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redmond, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 as a whole 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
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 October 15, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Pat McCarthy, State Auditor

Olympia, WA

October 15, 2024

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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- Email:
webmaster@sao.wa.gov



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October 15, 2024

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of City of Redmond for the period from January 1, 2022 through December 31, 2022. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all requested and relevant information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.

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- e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
 3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
 4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
 5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
 6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
 7. Except as reported by the audit, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
 8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
 9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.
 10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.
 11. We are responsible for taking corrective action on audit findings and have developed a corrective action plan.

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Additional representations related to the financial statements:

12. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally accepted accounting principles in the United States of America.
13. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
14. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.
15. The financial statements properly classify all funds and activities.
16. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.
17. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable.
18. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.
19. Revenues are appropriately classified by fund and account.
20. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.
21. Net position components (net investment in capital assets, restricted and unrestricted) and fund balance components (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, as applicable, approved.
22. The methods, data and significant assumptions we used in making accounting estimates and related disclosures are appropriate and free from intentional bias.
23. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.

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- b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the government is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.
24. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
25. We acknowledge our responsibility for reporting supplementary information (the Schedule of Expenditures of Federal Awards) in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
26. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
27. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.
28. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the RSI.
29. We believe the effects of uncorrected financial statement misstatements summarized in the schedule of uncorrected items provided to us by the auditor are not material, both individually and in the aggregate, to each applicable opinion unit.
30. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information

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referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

Additional representations related to expenditures under federal grant programs:

31. We acknowledge our responsibility for complying, and have complied, with the requirements of 2 CFR § 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.
32. With regards to your audit of federal grant programs, we have made available all relevant and requested information of which we are aware, including:
 - a. All federal awards and related grant agreements (including amendments, if any), contracts with pass-through entities, service organizations and contractors, and correspondence.
 - b. All communications from federal awarding agencies, contractors, service organizations or pass-through entities concerning possible noncompliance.
 - c. All information regarding corrective actions taken and management decisions or follow-up work performed by federal or pass-through agencies on any findings reported in the past.
 - d. All documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - e. Interpretations or other support for any situations where compliance with requirements might be questionable or unclear.
33. We have identified and complied with all direct and material compliance requirements of federal awards.
34. Management is responsible for establishing effective internal control and has, except as reported by the audit, maintained sufficient control over federal programs to provide reasonable assurance that awards are managed in compliance with laws, regulations, contracts or grant agreements that could have a material effect on each of our federal awards.
35. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the basic financial statements have been

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prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal Awards.

- 36. Copies of federal program reports provided to you are true copies of the reports submitted, or electronically transmitted, to federal agencies or pass-through agencies, as applicable.
- 37. We are responsible for, and will accurately prepare, the auditee section of the Data Collection Form as required by the Uniform Guidance.

Additional representations related to federal grants passed through to subrecipients:

- 38. We have advised our subrecipients of requirements imposed on them by Federal laws, regulations, contracts or grant agreements as well as any supplemental requirements we impose as a condition of receiving Federal awards.
- 39. We have monitored the activities of our subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, contracts or grant agreements.

Signed by:

F678C3A6CA90451...
Angela Birney
Mayor

DocuSigned by:

B7D965C373D34CD...
Julie Elsom
Accounting Manager

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Uncorrected Misstatements
City of Redmond
Audit Period Ending: 12/31/2022

Description	Statement / Schedule	Opinion Unit
The City should remove the reference of older GASB statements unless it is the year of implementation.	All Statements & Notes	N/A
In our review of the 'Condensed Statement Net of Position', we noted the format does not follow the format prescribed as the table does not include separate totals for the deferred outflows and deferred inflows. Further, the 2022 Governmental Activities column is missing the prior period adjustment of \$268,754, causing the ending net position balance to not tie to the ending net position reported on the financial statements.	MD&A	N/A
Because the City is using the classified approach for presentation of the Statement of Net Position, subtotals should be shown for current assets, noncurrent assets, deferred outflows, current liabilities, noncurrent liabilities, and deferred inflows. Additionally, the 'accounts receivable' balance title should include '(net)' for the allowance for doubtful accounts.	Statement of Net Position	N/A
Property Taxes (revenues) We noted the financial statements reported property tax revenues of \$30,235,329, but the certified levy amount reported \$30,304,178. As a result, the property tax balance is understated by \$291,938.	Statement of Activities	Governmental Activities
Gains or losses from the 'disposal of capital assets' balance should not be netted together (gains should net with gains, losses should net with losses). Additionally, Per GASB 72 for fair value adjustments, the investment earnings and change in fair value should be reported as one balance netted together called "Investment Income" rather than shown separately.	Statement of Activities	N/A
The subtitle "spendable" should be removed under the fund balance section since this is not one of the prescribed fund balance options.	Balance Sheet - Governmental Funds	N/A
In our testing of fund balances, we identified the following items misclassified as Committed: • \$28,500 related to Advance Travel and Investigation Fund	Balance Sheet - Governmental Funds	General Fund



Uncorrected Misstatements
City of Redmond
Audit Period Ending: 12/31/2022

Description	Statement / Schedule	Opinion Unit
<ul style="list-style-type: none"> • \$4,175,344 related to Fire Equipment • \$2,252,107 related to Capital Replacement Reserve <p>These items were committed based on financial policies. Based on GASB 54, budgetary documents reserves do not meet the requirements for committed as it doesn't necessarily put constraints on the balances at year-end. Additionally, budgets typically expire at year-end. The best criteria for these items would be Assigned.</p>		
<p>In our testing of fund balances, we identified the Fire (Public Safety) - Emergency Service Fund of \$538,302, misclassified as restricted.</p> <p>The City's Ordinance 2765 references the emergency service fund as committed. Based on GASB 54, the emergency fund does not meet the requirements for restricted as the restriction must be for the specific purposes stipulated by constitution, external resource providers (grantors, creditors), or through enabling legislation (laws and regulation of other governments). The best criteria for this item would be Committed.</p>	Balance Sheet - Governmental Funds	Aggregate Remaining Fund
<p>Taxes (revenues) We re-calculated the property tax revenue collections and noted the Taxes Revenues is understated by \$52,622.</p>	Statement of Revenues, Expenditures, and Changes in Fund Balances	General Fund
<p>Taxes (revenues) We tied various state treasurer distributions to the City's general ledger and noted an overstatement of revenues by \$35,770 related to Affordable & Supportive Housing Services. State remittances to the City totaled \$289,266, but the City's general ledger totaled \$325,036.</p>	Statement of Revenues, Expenditures, and Changes in Fund Balances	General Fund
<p>Intergovernmental revenues We reviewed Intergovernmental revenues in the Capital Improvements Fund and noted \$4,438,699 of accrued revenues that should have been reported as unavailable for the period. These revenues were for expenditures incurred in FY2022, but payment was not received within 60 days of year end. Per guidance in BARS 3.6.9 Revenue Accruals in Governmental Funds, to meet revenue recognition criteria under modified accrual, revenues must be measurable and available. Since payment was not received within 60 days of year-end, these revenues should have been recognized as Deferred Inflows - Unavailable Revenue.</p>	Statement of Revenues, Expenditures, and Changes in Fund Balances	Capital Improvement Fund



Uncorrected Misstatements
City of Redmond
Audit Period Ending: 12/31/2022

Description	Statement / Schedule	Opinion Unit
Per GASB 72 for fair value adjustments, the investment earnings and change in fair value should be reported as one balance netted together called "Investment Income" rather than shown separately.	Statement of Revenues, Expenditures, and Changes in Fund Balances	N/A
The face of the financial statements includes a balance titled 'Lease GASB 87' however the title should only report 'Leases'.	Statement of Net Position - Proprietary Funds	N/A
Note 1 - Summary of Significant Accounting Policies The 'Advance on Service Contract' section should be removed as the change occurred in 2012 and there is no requirement to keep reporting this disclosure.	Note 1 - Summary of Significant Accounting Policies	N/A
Note 1 - Summary of Significant Accounting Policies The 'Advanced Life Support Fund' is disclosed as a major fund in Note 1 and in the MD&A however is not presented as a major fund in the Govt. Funds Statements.	Note 1 - Summary of Significant Accounting Policies	N/A
Note 3 - Deposits and Investments The City should disclose their policy related to deposits or indicate they do not have a policy. The 'Cash and Investments by Statements' table does not tie to the financial statements. Proprietary fund 'cash and cash equivalent' balances are not broken up into restricted and unrestricted amounts. As a result, the proprietary restricted funds column is missing the following amounts: <ul style="list-style-type: none"> • Water/Wastewater = \$15,873 • UPD Water/Wastewater = \$32,000 • Stormwater/Wastewater = \$10,100 	Note 3 - Deposits and Investments	N/A
Note 6 - Capital Assets In our review of GASB 87, we noted the 'lease assets' should have a beginning balance, rather than reporting all leases under the increases' column for 2022. Further, the lease assets "less accumulated amortization for" section should also have a beginning balance, rather than reporting all accumulated depreciation under the 'increases' column.	Note 6 - Capital Assets	N/A



Uncorrected Misstatements
City of Redmond
Audit Period Ending: 12/31/2022

Description	Statement / Schedule	Opinion Unit
<p>Note 7 - Pension Plans In the opening table the pension liability and asset balances do not tie to the face of the statements. This is because the table only includes the DRS plans and doesn't include the Firefighters' Pension Plan.</p>	Note 7 – Pension Plans	N/A
<p>Note 8 - OPEB Under the OPEB table that represents the aggregate OPEB amounts for all plans, should remove the \$0 line items from the table. Additionally, the table for deferred outflows and inflows doesn't tie to the summary table at the beginning of the note.</p>	Note 8 - OPEB	N/A
<p>Note 10 - Interfund Balance The '<u>Due to/From Other Funds</u>' table amounts do not tie to amounts reported on the face of the financial statements. We noted the following differences:</p> <p>Per the Balance Sheet Governmental Funds:</p> <ul style="list-style-type: none"> • Due from other Funds - General Fund: \$4,898,093 however note 10 reports \$5,005,964 • Due from other Funds - Other Governmental Funds: \$0 • Due to other Funds - General Fund: \$0 however note 10 reports \$9,748 • Due to other Governmental Funds: \$3,913,909, however note 10 reports \$4,712,451 <p>Per the Statement of Net Position Proprietary Funds:</p> <ul style="list-style-type: none"> • Due to other Funds - Internal Service Fund: \$284,017 however note 10 reports \$283,765 <p>The '<u>Interfund Transfers</u>' table does not tie to the amounts reported on the face of the financial statements. We noted the following differences:</p> <p>Per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds:</p> <ul style="list-style-type: none"> • Transfers In - General Fund: \$3,159,066 however note 10 reports \$3,152,325 • Transfers Out - General Fund: \$11,537,968 however note 10 reports \$11,531,227 	Note 10 - Interfund Transfers	N/A



Uncorrected Misstatements
City of Redmond
Audit Period Ending: 12/31/2022

Description	Statement / Schedule	Opinion Unit
<p>Per the Statement Revenues, Expenditures and Changes in Fund Net Position Proprietary Funds:</p> <ul style="list-style-type: none">• Transfers In - Internal Service Fund: \$3,297,435 however note 10 reports \$3,348,436• Transfers Out - Internal Service Fund: \$0 however note 10 reports \$51,001		



Uncorrected Misstatements
 City of Redmond
 Audit Period Ending: 12/31/2022

Description	Statement / Schedule	Opinion Unit
<p>Note 12 Leases Under the 'City as Lessor' starting at line "The total amount of inflow of resources... recognized during the fiscal year are as follows" does not include the deferred inflows for governmental and proprietary funds.</p> <p>Additionally, the total payment receivables for governmental and proprietary table does not tie to the face of the statements:</p> <p>Per the Statement of Net Position, Deferred Inflows of Resources - Leases reports the following:</p> <ul style="list-style-type: none"> • Governmental Activities \$1,300,225 • Business-Type Activities \$596,805 <p>(Note 12)</p> <ul style="list-style-type: none"> • Governmental Funds table total to \$1,335,577 • Proprietary Funds table total to \$596,997 	Note 12 - Leases	N/A
<p>Under the Nonmajor Governmental Funds list for special revenue funds, the Aid Car Donation is listed as a special revenue fund however is not included in the combining statements.</p>	RSI	N/A