Finance and Administration Committee

Councilmember Christina Rustik, Chair
Councilmember Mark Joselyn
Councilmember Rob McFarland

August 4, 2026 — 2:30 PM
City Hall Mount Si Adjournment Room
920 SE Cedar Falls Way, North Bend, Washington

Agenda

Finance		Time	Staff
1)	**2024 Audit Results - Presentation by WA State SAO** Description: Staff from the Washington State Auditor's Office will present results from their 2024 Financial Audit. Enclosed is a powerpoint summarizing and presenting their audit results. Recommendation:No action needed. Informational only. Attachments: Management Letter; Presentation	15m	Elaine Morse / SAO Staff Priscilla Wong SAO Staff Haji Adams
2)	**2026 January - June Monthly Budget Status Report** Description: Report on citywide financial performance for the year-to-date ending June 30, 2026. With 50% of the year elapsed, all funds ended the period with positive ending fund balances and are performing within budget and expectations. Major fund highlights: • General Fund ended the period with \$6.0M in ending fund balance, Revenues were 49% collected vs budget, and expenditures were 47% spent vs budget. • Water Utility ended with \$2.3M in ending fund balance and is 45% collected in revenues vs 36% spent. • Sewer Utility ended with \$17.6M in ending fund balance and is 37% collected in revenues vs 46% spent. • Storm Utility ended with \$925,000 in ending fund balance with 34% collected vs 26% spent. Expenditures reflect timing of CIP expenditures. Recommendation: None. Informational only. Attachments: Monthly Budget Status Report	5m	Martin Chaw / Elaine Morse
3)	**2027-2028 Budget 101 - Part 3 of 3: Citywide Expenditures** Description: Staff will facilitate an overview of citywide expenditures and how City resources are spent throughout the City, as a part of the 2027-2028 biennial budget preparation process. Recommendation: None. Informational only. Attachments: Staff presentation	15m	Martin Chaw
4)	**2027-2028 Budget Calendar and Key Dates - Check In** Description: Staff will review key dates/milestones, including scheduled Council budget worksessions, leading up to the adoption of the 2027-2028 biennial budget. Recommendation: None. Informational only. Attachments: 2027-2028 Budget Planning Calendar.	5m	Martin Chaw

5)	**Workplan for remainder of 2026** Description: Staff will review scheduled topics for each of the remaining F&A committee meetings in 2026. Recommendation: None. Informational only. Attachments: F&A Committee meeting calendar/schedule.	5m	Martin Chaw

Administrative Services		**Time**	**Staff**
1)	**2027-2028 Human Services and Cultural Arts - Allocations Process** Description: Staff will discuss and the planned process for soliciting, reviewing, and Council approval of allocations for Human Services and Cultural Arts community organizations for the 2027-2028 biennial budget. Recommendation: None. Informational only. Attachments: Human Services and Cultural Arts Allocations	15m	Lisa Escobar / Martin Chaw

Microsoft Teams Meeting Information:
https://teams.microsoft.com/
Meeting ID: 289 268 095 022 64
Password: aZ2Qn38n
Call In Phone Number: 1-332-249-0712
Phone Conference ID: 448 261 567#

Office of the Washington State Auditor
Pat McCarthy

August 4, 2026

Mayor and Council
City of North Bend
North Bend, Washington

<u>Management Letter</u>

This letter includes a summary of specific matters that we identified during our financial audit for January 1, 2024 through December 31, 2024.

These matters are not included as findings in our public report, but we view them as important enough to warrant the attention of management and the governing body. This letter will be referenced in our report.

This letter is intended for the information and use of management and the governing body as recommendations to help strengthen the City's internal controls. This letter is not suitable for any other purpose since it was not prepared for general distribution. However, this letter is a matter of public record and its distribution is not limited.

Thank you for being a partner in government accountability. We look forward to reviewing the status of these matters during your next audit.

Sincerely,

Haji Adams, Audit Manager

Attachment

Management Letter

City of North Bend
January 1, 2024 through December 31, 2024

Financial Statements Preparation

City management is responsible for designing, implementing and maintaining internal controls to ensure fair presentation of the financial statements in accordance with the *Budgeting, Accounting and Reporting System* (BARS) Cash Manual. In accordance with the BARS reporting manual (3.1.7.40 Types of Funds), governments should report governmental, proprietary and fiduciary funds to the extent they have activities that meet the criteria for using these funds. While governments may create other funds for accounting or managerial purposes, these funds should be rolled into the appropriate fund types for financial statement reporting.

Our audit found the City did not have adequate internal controls ensuring accurate reporting of its financial statements. Specifically, the City did not incorporate monthly interest earnings into the monthly bank reconciliations for the LGIP account and did not carry forward all prior-year audit adjustments to the current year's financial statements, resulting in discrepancies between the general ledger and the financial statements. These resulted in an understatement of $935,414 in ending cash. In addition, the City did not properly implement new accounting changes related to compensated absences.

The City experienced significant staff turnover during the audit period, which, combined with staff's unfamiliarity with the financial software, resulted in inadequate review and oversight. As a result, errors occurred in the implementation of new accounting standards, monthly reconciliations, and financial reporting.

We acknowledge the City’s finance team, under new management, has been working diligently to improve the accuracy of its financial records and strengthen its financial report processes. The identified misstatements appear to be part of ongoing efforts to correct historical issues and improve the overall quality of the City’s financial reporting.

We continue to recommend the City strengthen its internal controls and dedicate the resources necessary to ensure all staff responsible for preparing the financial statements have adequate training to prepare accurate and complete financial statements in accordance with the BARS Manual.

Exit Conference

City of North Bend

Haji Adams
Audit Manager

Priscilla Wong, CPA, CFE
Audit Supervisor

August 4, 2026

This presentation is intended to be viewed in conjunction with the complete packet of exit materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing PublicRecords@sao.wa.gov.

Results with impact

Increased trust in government

Independent, transparent examinations

Improved efficiency and effectiveness of government

> "Independent audits can be believed and relied upon by everyone, regardless of personal or political beliefs."

State Auditor Pat McCarthy

Financial audit results

January 1, 2024 through December 31, 2024

Report on the Financial Statements

- Unmodified opinion on Regulatory Basis of Accounting (BARS Manual)
- Adverse Opinion on U.S. GAAP also issued

Report on Internal Control and Compliance

We reported:

- No significant deficiencies in internal control
- No deficiencies that we consider to be material weaknesses
- No instances of noncompliance that were material to the financial statements

Financial audit results

January 1, 2024 through
December 31, 2024

Required Communications

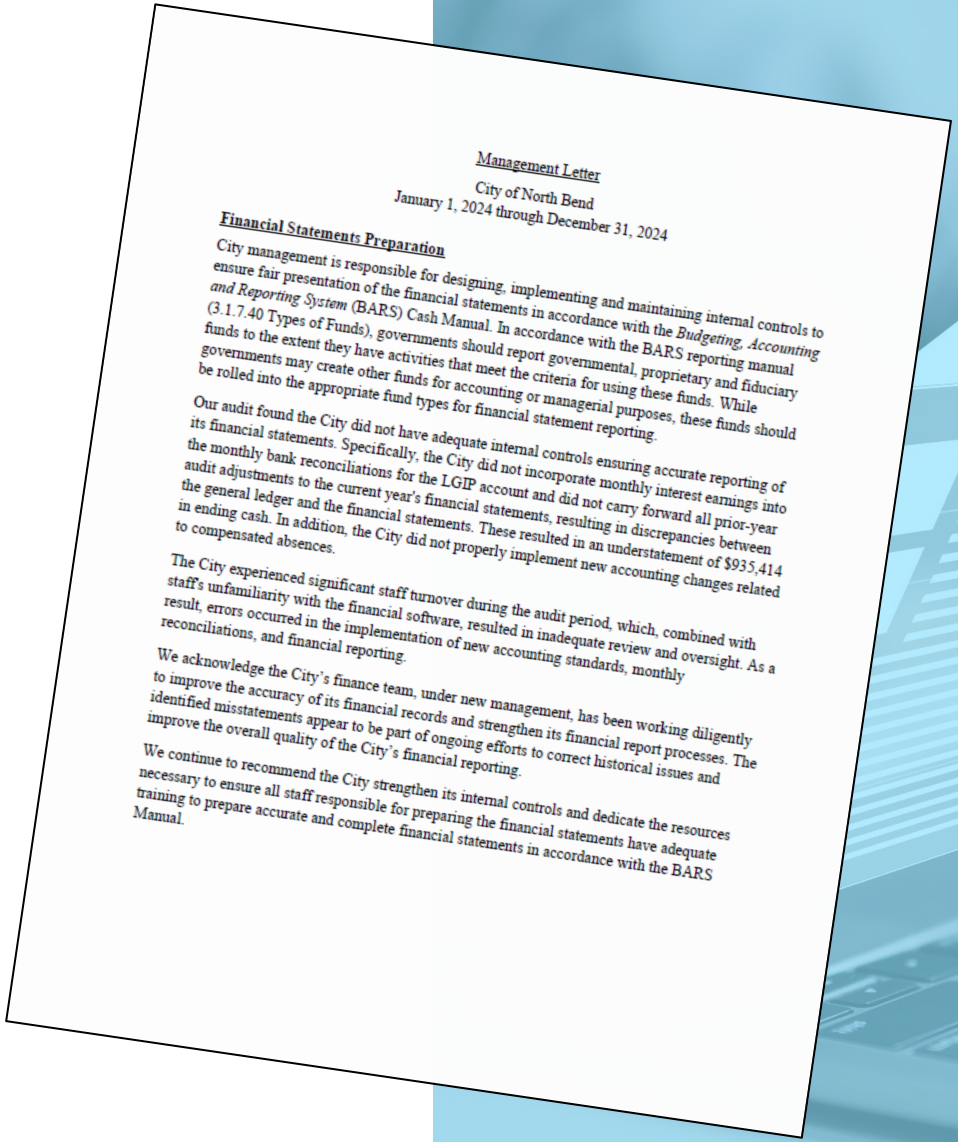
- We did not identify any material misstatements that were corrected during the audit.
- No uncorrected misstatements have been identified.

The audit addressed the following risks, which required special consideration:

- Management override of controls

Financial Statements Preparation – Management Letter

Please see your exit packet to view the details of this recommendation.



Management Letter

City of North Bend
January 1, 2024 through December 31, 2024

Financial Statements Preparation

City management is responsible for designing, implementing and maintaining internal controls to ensure fair presentation of the financial statements in accordance with the *Budgeting, Accounting and Reporting System* (BARS) Cash Manual. In accordance with the BARS reporting manual (3.1.7.40 Types of Funds), governments should report governmental, proprietary and fiduciary funds to the extent they have activities that meet the criteria for using these funds. While governments may create other funds for accounting or managerial purposes, these funds should be rolled into the appropriate fund types for financial statement reporting.

Our audit found the City did not have adequate internal controls ensuring accurate reporting of its financial statements. Specifically, the City did not incorporate monthly interest earnings into the monthly bank reconciliations for the LGIP account and did not carry forward all prior-year audit adjustments to the current year's financial statements, resulting in discrepancies between the general ledger and the financial statements. These resulted in an understatement of $935,414 in ending cash. In addition, the City did not properly implement new accounting changes related to compensated absences.

The City experienced significant staff turnover during the audit period, which, combined with staff's unfamiliarity with the financial software, resulted in inadequate review and oversight. As a result, errors occurred in the implementation of new accounting standards, monthly reconciliations, and financial reporting.

We acknowledge the City's finance team, under new management, has been working diligently to improve the accuracy of its financial records and strengthen its financial report processes. The identified misstatements appear to be part of ongoing efforts to correct historical issues and improve the overall quality of the City's financial reporting.

We continue to recommend the City strengthen its internal controls and dedicate the resources necessary to ensure all staff responsible for preparing the financial statements have adequate training to prepare accurate and complete financial statements in accordance with the BARS Manual.

Federal grant compliance audit results

January 1, 2024 through December 31, 2024

Report on Compliance for Each Major Federal Program

- Unmodified opinion on compliance with requirements applicable to its major programs
- Audit conducted in accordance with *Government Auditing Standards* and the Uniform Guidance

Report on Internal Control over Compliance

We reported:

- No significant deficiencies in internal controls
- Deficiencies that we consider to be material weaknesses
- No instances of noncompliance that are required to be reported

Major programs selected for audit

ALN	Program or Cluster Title	Total Amount Expended
20.205	Highway Planning and Construction	$1,821,322
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	$504,309

These costs amount to approximately 100% of the total federal expenditures for 2024.

Suspension and Debarment - Finding

- 2024-001: The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements
  - Please see your exit packet to view the details of this recommendation

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of North Bend
January 1, 2024 through December 31, 2024

2024-001 The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	$0
Prior Year Audit Finding:	N/A

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide government services to the extent COVID-19 caused a reduction in revenues collected, make necessary investments in water, sewer or broadband infrastructure, provide emergency relief from natural disasters or their negative economic impacts, fund projects eligible under certain programs administered by the U.S. Department of Transportation through three pathways and fund projects eligible under the programs established in Title I of the Housing and Community Development Act of 1974. In 2024, the City spent $504,309 in program funds for these activities.

Federal regulations require recipients to establish, document and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Closing remarks

- Audit costs are in alignment with our original estimate
- Next audit: August 2026
  - Accountability for public resources
  - Financial statement
  - Federal programs

We have provided an estimated cost for the next audit in our exit packet

Report publication

- ✓ Audit reports are published on our website.
- ✓ Sign up to be notified by email when audit reports are posted to our website:

  https://sao.wa.gov/about-sao/sign-news-alerts

Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of North Bend

For the period January 1, 2024 through December 31, 2024

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

Published (Inserted by OS)
Report No. (Inserted by OS)

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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.

Thank you!

We would like to thank City staff for their dedication to the audit process. In particular, we would like to thank Elaine Morse, Deputy Finance Director, and the Finance team for their timely responses to our requests.

We also appreciate the City's professionalism and communication throughout the audit.

Questions

Haji Adams, Audit Manager

Haji.Adams@sao.wa.gov

(425) 900-5277

Office of the Washington State Auditor
Pat McCarthy

Exit Conference: City of North Bend

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, 2024 through December 31, 2024 – see draft report.

Audit Highlights

- We would like to thank City staff for their dedication to the audit process. In particular, we would like to thank Elaine Morse, Deputy Finance Director, and the Finance team for their timely responses to our requests.
- We also appreciate the City's professionalism and communication throughout the audit.

Recommendations not included in the Audit Reports

Management Letters

Management letters communicate control deficiencies, noncompliance, or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in a letter to management related to financial statements preparation.

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:

- We didn't identify any material misstatements during the audit.
- There were no uncorrected misstatements in the audited financial statements.

- 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. As part of this work, we did not identify any significant unusual transactions affecting the financial statements.

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 management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be $46,600 and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in August 2026 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 $70,600 plus 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.

Tina Watkins, CPA, Director of Local Audit, (360) 260-6411, Tina.Watkins@sao.wa.gov

Kristina Baylor, Assistant Director of Local Audit, (425) 951-0290, Kristina.Baylor@sao.wa.gov

Haji Adams, Audit Manager, (425) 900-527, Haji.Adams@sao.wa.gov

Ching Kei Priscilla Wong, CPA, CFE, Assistant Audit Manager, (564) 444-6624, Priscilla.Wong@sao.wa.gov

Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of North Bend

For the period January 1, 2024 through December 31, 2024

Published (Inserted by OS)

Report No. 1040278

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Office of the Washington State Auditor
Pat McCarthy

Issue Date – (Inserted by OS)

Mayor and City Council
City of North Bend
North Bend, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of North Bend'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

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.

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (564) 999-0950 • Pat.McCarthy@sao.wa.gov

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of North Bend
January 1, 2024 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

ALN	Program or Cluster Title
20.205	Highway Planning and Construction
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2024-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of North Bend
January 1, 2024 through December 31, 2024

2024-001 The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	$0
Prior Year Audit Finding:	N/A

Background

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide government services to the extent COVID-19 caused a reduction in revenues collected, make necessary investments in water, sewer or broadband infrastructure, provide emergency relief from natural disasters or their negative economic impacts, fund projects eligible under certain programs administered by the U.S. Department of Transportation through three pathways and fund projects eligible under the programs established in Title I of the Housing and Community Development Act of 1974. In 2024, the City spent $504,309 in program funds for these activities.

Federal regulations require recipients to establish, document and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed $25,000, paid all or in part with federal funds, it must verify the contractors are not suspended, debarred or otherwise excluded from participating in federal programs. The City may verify this by obtaining a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must verify this before entering into the contract, and must maintain documentation demonstrating compliance with this federal requirement.

Description of Condition

Although the City has a process to verify the suspension and debarment status for contractors it pays $25,000 or more using federal funds, our audit found the City could not demonstrate it verified the one contractor we tested was not suspended or debarred before entering into the contract with them.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

City staff were aware of the federal suspension and debarment verification requirements and normally verify that the requirements are met during the procurement process. Current City staff were able to locate documentation indicating that they verified the contractor's suspension and debarment status. However, the documentation was not dated, and therefore the City could not determine whether staff performed the verification before the City entered into the contract with the contractor.

Effect of Condition

The City did not obtain a written certification from the contractor, insert a clause into the contract or check for exclusion records at SAM.gov to verify the contractor it paid $27,116 using federal funds was not suspended or debarred before contracting with or purchasing from them. Without adequate internal controls, the City increases its risk of awarding federal funds to contractors that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the awarding agency could potentially recover them.

We subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the City strengthen its internal controls to ensure contractors it pays $25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs and maintain documentation demonstrating compliance with this requirement.

City's Response

The City of North Bend acknowledges an invoice utilizing SLFRF funds, and paid to a national vendor, did not include an attached and time-stamped verification from SAM.gov, required to determine suspensions and debarments. This was an oversight of the invoice review process as required by the procurement regulations in 2 CFR 200.

Presently, the Public Works staff, Contract Specialist, and Capital Staff Accountant ensure adherence to all applicable local, State, and federal procurement laws and regulations as provided in the Uniform Guidance at 2 CFR 200.214, 2 CFR Part 180, and Treasury's implementing regulations at 31 CFR Part 19, prohibiting recipients from entering contracts with or making payments to suspended or debarred parties.

The city understands the significance of the finding and has taken steps to identify weaknesses in processes. The city engaged an independent CPA firm to conduct a thorough review of procedures to include checkpoint templates for significant requirements such as the review for suspension and debarment.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps taken to address the concern. We will review the status of the City's corrective action during our next regular audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR part 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) establishes nonprocurement debarment and suspension regulations, implementing Executive Orders 12549 and 12689.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of North Bend
January 1, 2024 through December 31, 2024

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

Audit Period: January 1 – December 31, 2023	**Report Ref. No.:** 1039314	**Finding Ref. No.:** 2023-001

Finding Caption:

The City did not have adequate internal controls ensuring accurate reporting of its financial statements.

Background:

Management is responsible for designing and following internal controls that provide reasonable assurance the City's financial reporting is reliable and the financial statements and notes are accurate. During the audit, we found the City does not have effective internal controls to ensure bank reconciliations are accurate and to identify and correct errors affecting the accounting records and financial statements.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

In 2024 finance staff were hired to supervise and train staff accountants in technical use of financial software and methodology for bank reconciliation. Additional corrective steps include:

- *Adherence of controls to review the timeliness and accuracy of monthly software reconciliation of each bank account to include a review of software mechanics.*
- *Use of monthly schedule 06 report to support primary bank account reconciliation*
- *Required reconciliation of all small balance variations within the month of occurrence*

In 2024 and 2025 finance staff were in place to understand and strengthen controls over financial statement preparation and review for accuracy and compliance with BARS manual requirements. In the more recent 18 months, staff have strengthened financial software knowledge and leadership have supported staff in adherence to internal controls with respect to the completion of software bank reconciliations. This has resulted in timely adjustments and corrections that would ultimately affect accounting records and financial statements.

<table>
<tr><td>Audit Period:
January 1 –
December 31, 2023</td><td>Report Ref. No.:
1039314</td><td>Finding Ref. No.:
2023-002</td><td>Assistance Listing Number(s):
21.027</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds U.S. Department of Treasury</td><td colspan="2">Pass-Through Agency Name:
N/A</td></tr>
<tr><td colspan="4">Finding Caption:
The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.</td></tr>
<tr><td colspan="4">Background:
Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the government. Our fiscal year 2023 audit found that the City did not obtain a written certification from the contractor, insert a clause into the contract or check for exclusion records at SAM.gov to verify the contractor it paid $56,217 using federal funds was not suspended or debarred before contracting with or purchasing from them. This increased its risk of awarding federal funds to contractors that are excluded from participating in federal programs. We subsequently verified the contractor was not suspended or debarred.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
☒ Fully Corrected   ☐ Partially Corrected   ☐ Not Corrected   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
In late 2024 and 2025, the Public Works Deputy Director (now Director), Contract Specialist, and Capital Staff Accountant work together to ensure adherence to all applicable local, State, and federal procurement laws and regulations as provided in the Uniform Guidance, 2 CFR 200.
Additionally, in 2026, the city engaged CPA firm Clark Nuber to assess current grant procurement processes to identify areas of risk, seek opportunities to strengthen practices and procedures, and identify areas for efficiencies. The resulting technical guidance will support grant workflow templates that capture documentation for SAM.gov verification of suspensions and debarments.</td></tr>
</table>

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 North Bend
January 1, 2024 through December 31, 2024

Mayor and City Council
City of North Bend
North Bend, 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 North Bend, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 4, 2026.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described 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.

We noted certain other matters that we have reported to the management of the City in a separate letter dated August 4, 2026.

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*. However, we noted certain matters that we have reported to the management of the City in a separate letter dated August 4, 2026.

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

Pat McCarthy, State Auditor

Olympia, WA

August 4, 2026

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 North Bend
January 1, 2024 through December 31, 2024

Mayor and City Council
City of North Bend
North Bend, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of North Bend, 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, 2024. 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, 2024.

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.

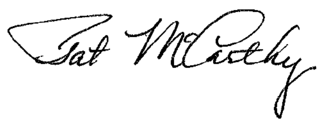
However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2024-001, that we consider to be a material weakness.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

August 4, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of North Bend
January 1, 2024 through December 31, 2024

Mayor and City Council
City of North Bend
North Bend, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of North Bend, as of and for the year ended December 31, 2024, 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 North Bend, and its changes in cash and investments, for the year ended December 31, 2024, 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 North Bend, as of December 31, 2024, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2026 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.

Pat McCarthy, State Auditor

Olympia, WA

August 4, 2026

FINANCIAL SECTION

City of North Bend
January 1, 2024 through December 31, 2024

FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

NORTH BEND
easy to reach. . .hard to leave

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of North Bend
January 1, 2024 through December 31, 2024

This schedule presents the corrective action planned by the City for findings reported in this report 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).

<table>
<tr><td>Finding ref number:
2024-001</td><td>Finding caption:
The city did not have adequate internal controls and did not comply with federal suspension and debarment requirements.</td></tr>
<tr><td colspan="2">Name, address, and telephone of City contact person:
Elaine Morse, Deputy Finance Director
920 SE Cedar Falls Way
North Bend, WA 98045
(425) 888-7638</td></tr>
<tr><td colspan="2">Corrective action the auditee plans to take in response to the finding:
The City of North Bend acknowledges an invoice utilizing SLFRF funds, and paid to a national vendor, did not include an attached and time-stamped verification from SAM.gov, required to determine suspensions and debarments. This was an oversight of the invoice review process as required by the procurement regulations in 2 CFR 200.
Presently, the Public Works staff, Contract Specialist, and Capital Staff Accountant ensure adherence to all applicable local, State, and federal procurement laws and regulations as provided in the Uniform Guidance at 2 CFR 200.214, 2 CFR Part 180, and Treasury's implementing regulations at 31 CFR Part 19, prohibiting recipients from entering contracts with or making payments to suspended or debarred parties.
The city understands the significance of the finding and has taken steps to identify weaknesses in processes. The city engaged an independent CPA firm to conduct a thorough review of procedures to include checkpoint templates for significant requirements such as the review for suspension and debarment.</td></tr>
<tr><td colspan="2">Anticipated date to complete the corrective action: immediate</td></tr>
</table>

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Stay connected at sao.wa.gov

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

Other ways to stay in touch

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

Office of the Washington State Auditor
Pat McCarthy

August 4, 2026

Mayor and Council
City of North Bend
North Bend, Washington

<u>Management Letter</u>

This letter includes a summary of specific matters that we identified during our financial audit for January 1, 2024 through December 31, 2024.

These matters are not included as findings in our public report, but we view them as important enough to warrant the attention of management and the governing body. This letter will be referenced in our report.

This letter is intended for the information and use of management and the governing body as recommendations to help strengthen the City's internal controls. This letter is not suitable for any other purpose since it was not prepared for general distribution. However, this letter is a matter of public record and its distribution is not limited.

Thank you for being a partner in government accountability. We look forward to reviewing the status of these matters during your next audit.

Sincerely,

Haji Adams

Haji Adams, Audit Manager

Attachment

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (564) 999-0950 • Pat.McCarthy@sao.wa.gov

Management Letter

City of North Bend
January 1, 2024 through December 31, 2024

Financial Statements Preparation

City management is responsible for designing, implementing and maintaining internal controls to ensure fair presentation of the financial statements in accordance with the *Budgeting, Accounting and Reporting System* (BARS) Cash Manual. In accordance with the BARS reporting manual (3.1.7.40 Types of Funds), governments should report governmental, proprietary and fiduciary funds to the extent they have activities that meet the criteria for using these funds. While governments may create other funds for accounting or managerial purposes, these funds should be rolled into the appropriate fund types for financial statement reporting.

Our audit found the City did not have adequate internal controls ensuring accurate reporting of its financial statements. Specifically, the City did not incorporate monthly interest earnings into the monthly bank reconciliations for the LGIP account and did not carry forward all prior-year audit adjustments to the current year's financial statements, resulting in discrepancies between the general ledger and the financial statements. These resulted in an understatement of $935,414 in ending cash. In addition, the City did not properly implement new accounting changes related to compensated absences.

The City experienced significant staff turnover during the audit period, which, combined with staff's unfamiliarity with the financial software, resulted in inadequate review and oversight. As a result, errors occurred in the implementation of new accounting standards, monthly reconciliations, and financial reporting.

We acknowledge the City’s finance team, under new management, has been working diligently to improve the accuracy of its financial records and strengthen its financial report processes. The identified misstatements appear to be part of ongoing efforts to correct historical issues and improve the overall quality of the City’s financial reporting.

We continue to recommend the City strengthen its internal controls and dedicate the resources necessary to ensure all staff responsible for preparing the financial statements have adequate training to prepare accurate and complete financial statements in accordance with the BARS Manual.

LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD

August 4, 2026

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 North Bend for the period from January 1, 2024 through December 31, 2024. 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 relevant and requested 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.
   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, safeguarding of public resources, and financial reporting, including controls to prevent and detect fraud.

7. We have established adequate procedures and controls to provide reasonable assurance of compliance with applicable laws and regulations, safeguarding of public resources, and accurate financial reporting.

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.

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.

Additional representations related to the financial statements:

12. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

13. The financial statements properly classify all funds and activities.

14. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.

15. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.

16. Ending cash and investments are properly classified as nonspendable, restricted, committed, assigned, and unassigned.

17. The methods, data and significant assumptions we used in making accounting estimates and related disclosures are appropriate and free from intentional bias.

18. The following have been properly classified, reported and disclosed in the financial statements. as applicable:

    a. Interfund, internal, and intra-entity activity and balances.

    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.

19. 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.

20. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:

    a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).

    b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.

    c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.

21. We acknowledge our responsibility for reporting supplementary information (Schedule of Liabilities and 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.

22. 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.

23. We believe there are no uncorrected misstatements that would be material individually and in the aggregate to the financial statements taken as a whole.

24. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information 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:

25. 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*.

26. 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.

27. Except as reported by the audit, we have identified and complied with all direct and material compliance requirements of federal awards.

28. 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.

29. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal Awards.

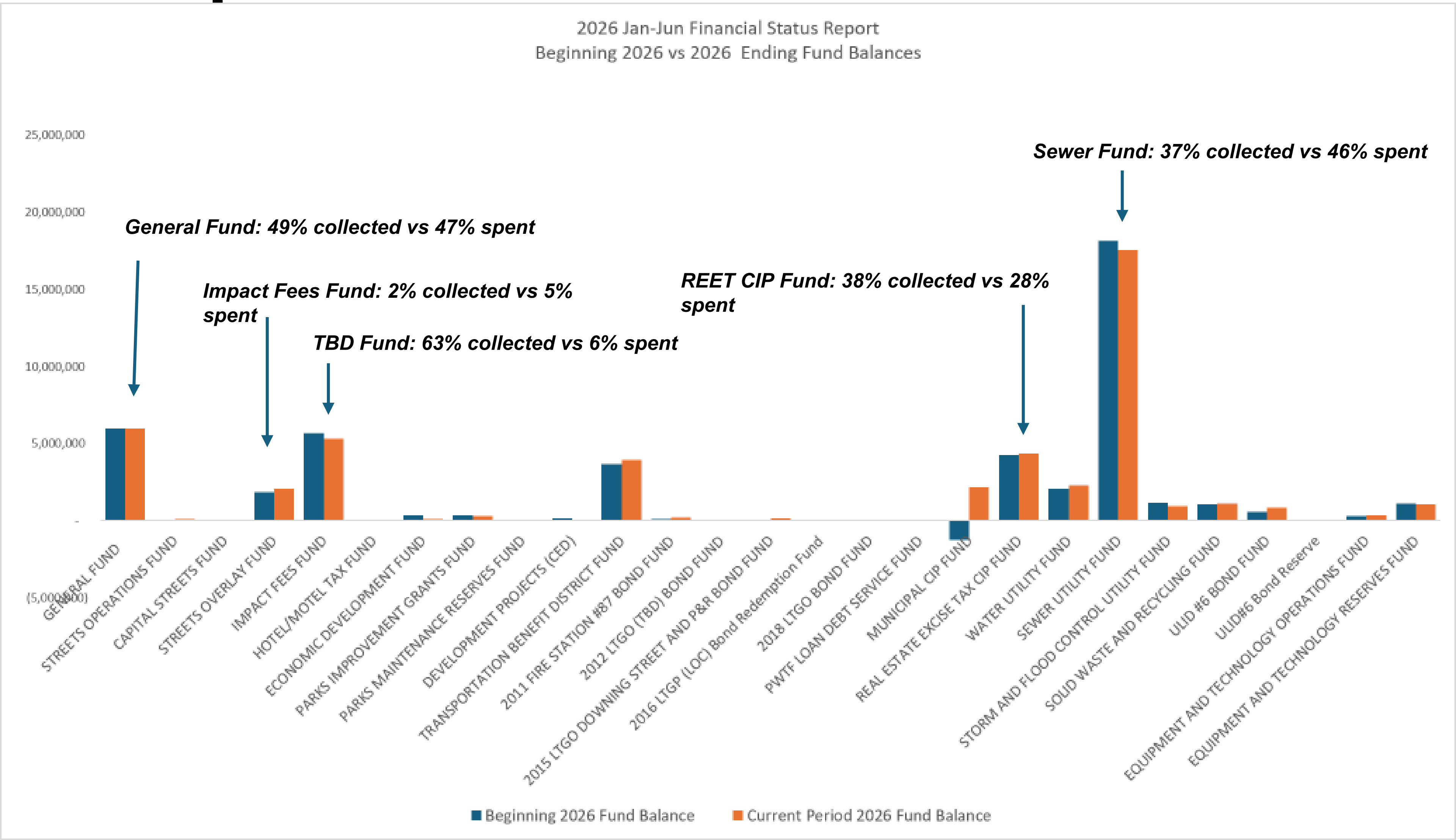
30. Copies of federal program reports provided to you are true copies of the reports submitted, or electronically transmitted, to federal agencies or pass-through agencies, as applicable.

31. We are responsible for, and will accurately prepare, the auditee section of the Data Collection Form as required by the Uniform Guidance.

______________________________ ______________________________

Amber Emery, City Administrator	Martin Chaw, Finance Director

2026 Jan-Jun Budget Status Report



Fund	001				
	GENERAL FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	5,103,903	5,353,622	10,544,305	5,440,402	48%
Licenses and permits	160,751	148,059	296,119	135,368	54%
Grants/Intergovtl	86,604	82,479	164,958	78,354	53%
Charges for services	359,135	579,681	1,159,363	800,228	31%
Fines and penalties	33,931	38,638	77,275	43,344	44%
Investment interest & Other	509,059	19,530	39,061	(469,998)	1303%
Miscellaneous	508	516	1,033	525	49%
Transfers In	63,713	300,000	600,000	536,287	11%
Total Revenues (Thru June 30, 2026)	**6,317,605**	**6,522,526**	**12,882,113**	**6,564,509**	**49%**
Expenses					
Personnel	1,510,023	1,704,535	3,409,071	1,899,048	44%
Supplies	31,327	29,756	59,513	28,186	53%
Contracted Services	3,951,074	4,180,614	8,361,229	4,410,155	47%
Capital Outlay	75,203	30,533	61,065	(14,137)	123%
Debt Service	4,405	1,532	3,063	(1,342)	144%
Other Expenditures	-	-	-	-	0%
Transfers Out	735,432	775,432	1,550,865	815,432	47%
Total Expenditures (Thru June 30, 2026)	**6,307,464**	**6,722,403**	**13,444,806**	**7,137,342**	**47%**
Beginning 2026 Fund Balance	**5,993,948**	**5,799,295**	**5,799,295**	**n/a**	**n/a**
Change to 2026 Fund Balance	**10,141**	**(199,877)**	**(562,693)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**6,004,089**	**5,599,418**	**5,236,602**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	5,236,602	5,236,602	5,236,602	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Taxes include Retail Sales & Use Tax revenue of $1.66M through June 2026, only 45% collected of total budgeted $3.71M.
- Investment and other revenues includes allocated interest earnings from city investments (budgeted conservatively)

Expenses
- Contracted services include KCSD, EFR & Human Services Grant payments.
- Capital outlay includes payment to EFR for City's share of fire equipment reserves.
- Personnel costs lower than budget, reflecting outstanding Teamsters-Clerical CBA and position vacancies.

Special Revenue Funds

Fund	101				
	STREETS OPERATIONS FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	5,916	7,500	15,000	9,084	39%
Grants/Intergovtl	78,314	60,831	121,663	43,349	64%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	-	-	-	-	0%
Miscellaneous	-	-	-	-	0%
Transfers In	498,371	488,371	976,742	478,371	51%
Total Revenues (Thru June 30, 2026)	**596,514**	**556,702**	**1,113,405**	**516,891**	**54%**
Expenses					
Personnel	284,571	278,900	557,800	273,229	51%
Supplies	12,445	9,608	19,216	6,771	65%
Contracted Services	216,939	225,411	450,822	233,883	48%
Capital Outlay	-	41,773	83,546	83,546	0%
Debt Service	411	175	351	(61)	117%
Other Expenditures	-	835	1,671	1,671	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**514,366**	**556,702**	**1,113,405**	**599,039**	**46%**
Beginning 2026 Fund Balance	**42,475**	**42,475**	**42,475**	**n/a**	**n/a**
Change to 2026 Fund Balance	**82,148**	**(0)**	**(0)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**124,623**	**42,475**	**42,475**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	42,475	42,475	42,475	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Licenses & Permits include Street Permits
- Grants/Intergovernmental includes 100% Motor Vehicle Fuel Tax (MVFT) distributions from the State of WA.
- Transfers in includes interfund transfers from the General Fund (#001), Water Utility Fund (#401), Sewer, Utility Fund (#402), Stormwater/Flood Utility (#404).

Expenses
- Purchase of various Traffic Safety Signs
- Contracted Services include Utility Payments & Tree Removal Services

	Special Revenue Funds				
Fund	**102**				
	CAPITAL STREETS FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	4,712	27,300	54,600	49,888	9%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	1,162	1,065	2,130	968	55%
Miscellaneous	-	-	-	-	0%
Transfers In	75,000	75,000	150,000	75,000	50%
Total Revenues (Thru June 30, 2026)	**80,874**	**103,365**	**206,730**	**125,856**	**39%**
Expenses					
Personnel	35,931	36,670	73,340	37,409	49%
Supplies	-	-	-	-	0%
Contracted Services	14,890	14,680	29,360	14,470	51%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	27,850	27,850	55,700	27,850	50%
Total Expenditures (Thru June 30, 2026)	**78,671**	**79,200**	**158,400**	**79,729**	**50%**
Beginning 2026 Fund Balance	**20,614**	**20,204**	**20,204**	**n/a**	**n/a**
Change to 2026 Fund Balance	**2,203**	**24,165**	**48,330**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**22,817**	**44,369**	**68,534**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	68,534	68,534	68,534	n/a	n/a

Source:

City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues

- Grants/Intergovernmental includes Additional Motor Vehicle Fuel Tax(MVFT-A) distributions from the State of WA. The collection to budget variance is due to change in receipting methodology. Prior years, full MVFT & MVFT-A were distributed to both F101 & F102 by percentage. 2026 there is no split allocation; MVFT is receipted into F101 & MVFT-A is receipted into F102.
- Transfers in includes interfund transfers from Impact Fees Fund (#106).

Expenses

- Transfers Out include monthly transfer to F218 for repayment for bonds to finance the construction of Downing Street Extension and Park and Ride projects. Bonds will be fully paid off in 2026.

Fund	Special Revenue Funds 103				
	STREETS OVERLAY FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	30,224	2,174	4,349	(25,875)	695%
Miscellaneous	-	-	-	-	0%
Transfers In	287,000	287,000	574,000	287,000	50%
Total Revenues (Thru June 30, 2026)	**317,224**	**289,174**	**578,349**	**261,125**	**55%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	88,657	287,000	574,000	485,343	15%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**88,657**	**287,000**	**574,000**	**485,343**	**15%**
Beginning 2026 Fund Balance	**1,830,122**	**1,811,381**	**1,811,381**	**n/a**	**n/a**
Change to 2026 Fund Balance	**228,567**	**2,174**	**4,349**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**2,058,688**	**1,813,556**	**1,815,730**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	1,815,730	1,815,730	1,815,730	n/a	n/a

Source:

City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Investment and other revenues includes allocated interest earnings from city investments (budgeted conservatively)
- Transfers in includes interfund transfers from Transportation Benefits District Fund.

Expenses
- Capital outlay includes expenses for streets overlay, pavement crack/seal repairs, and downtown alleyway improvements. Overlay expense lower than budgeted due to timing.

Fund			Special Revenue Funds 106		
			IMPACT FEES FUND		
Fund Title	Actual Year to Date thru June 30, 2026	Year to Date Budget	Annual Budget	Variance Annual Budget vs Actual to Date	% of Annual Budget Received or Spent
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	109,756	219,512	219,512	0%
Charges for services	31,886	3,308,377	6,616,754	6,584,868	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	73,875	36,601	73,202	(673)	101%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**105,761**	**3,454,734**	**6,909,468**	**6,803,708**	**2%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	10,000	20,000	20,000	0%
Contracted Services	-	810,255	1,620,510	1,620,510	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	453,811	3,767,906	7,535,811	7,082,001	6%
Total Expenditures (Thru June 30, 2026)	**453,811**	**4,588,161**	**9,176,321**	**8,722,511**	**5%**
Beginning 2026 Fund Balance	**5,675,001**	**6,317,581**	**6,317,581**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(348,050)**	**(1,133,427)**	**(2,266,853)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**5,326,951**	**5,184,154**	**4,050,728**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	4,050,728	4,050,728	4,050,728	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Charges for Services includes impact fee revenue collections.
- Anticipate receiving ~ $1.3M in transportation & fire impact fees for 1 of 3 Panattoni Building Permits in July 2026.

Expenses
- Transfers Out includes interfund transfers to the Streets Capital Fund (F102) & Municipal Projects (F310) including Bridge Deck #4 Repairs, RR Crossing Improvements, 2025 & 2026 Sidewalk Gap projects.

Special Revenue Funds

Fund **106**

IMPACT FEES FUND COLLECTIONS HISTORY

Fund Title

Revenues
- Taxes
- Licenses and permits
- Grants/Intergovtl
- Charges for services
- Fines and penalties
- Investment interest & Other
- Miscellaneous
- Transfers In

Total Revenues (Thru June 30, 2026)

Expenses
- Personnel
- Supplies
- Contracted Services
- Capital Outlay
- Debt Service
- Other Expenditures
- Transfers Out

Total Expenditures (Thru June 30, 2026)

Beginning 2026 Fund Balance
Change to 2026 Fund Balance
Current Period 2026 Fund Balance
Budgeted 2026 Ending Fund Balance

Source:
City financial records; budget includes all amendments through BA#5

	Transportation Impact Fee	Park Impact Fees	Fire Impact Fees
2015	118,995	97,296	16,512
2016	327,387	133,978	21,779
2017	1,099,626	529,330	78,708
2018	1,912,919	925,082	134,882
2020	1,796,215	757,060	72,941
2021	1,801,395	1,902,977	73,943
2022	629,709	899,517	129,548
2023	2,370,770	43,419	173,181
2024	199,797	92,225	9,126
2025	799,724	330,812	35,811
2026 to-date	15,427	6,736	492
Avg (2015-25)	*1,103,000*	*559,000*	*72,000*

	Tree RplcPermit Mitigation Pymt	Sidewalk and Frontage Improvement (Fee in-lieu)	Bicycle & Pedestrian Mitigation Fee	School Impact Fees
2015	1,200	-	-	-
2016	-	11,507	-	-
2017	41,800	-	-	-
2018	28,200	-	-	-
2019	16,800	-	-	-
2020	-	-	-	216,508
2021	34,408	13,928	60,760	1,484,877
2022	187,750	-	61,924	1,112,838
2023	89,000	-	184,484	1,127,366
2024	-	14,388	19,641	123,554
2025	-	20,200	75,448	478,825
2026 to-date	0	0	0	9,231
Avg (2015-25)	*36,000*	*5,000*	*37,000*	*413,000*

	Special Revenue Funds				
Fund	**107**				
	HOTEL/MOTEL TAX FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	11,609	13,275	26,550	14,941	44%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	835	303	606	(229)	138%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**12,443**	**13,578**	**27,156**	**14,712**	**46%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	32,500	32,500	65,000	32,500	50%
Total Expenditures (Thru June 30, 2026)	**32,500**	**32,500**	**65,000**	**32,500**	**50%**
Beginning 2026 Fund Balance	**74,276**	**72,538**	**72,538**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(20,057)**	**(18,922)**	**(37,844)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**54,220**	**53,616**	**34,694**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	34,694	34,694	34,694	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- No significant items to note.

Expenses
- Transfers Out include interfund transfers to the Economic Development Fund (#108).

	Special Revenue Funds				
Fund	**108**				
	ECONOMIC DEVELOPMENT FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	5,000	10,000	10,000	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	4,654	203	406	(4,248)	1146%
Miscellaneous	-	-	-	-	0%
Transfers In	182,500	182,500	365,000	182,500	50%
Total Revenues (Thru June 30, 2026)	**187,154**	**187,703**	**375,406**	**188,252**	**50%**
Expenses					
Personnel	52,334	116,054	232,107	179,773	23%
Supplies	228	1,515	3,030	2,802	8%
Contracted Services	347,845	159,368	318,737	(29,108)	109%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**400,407**	**276,937**	**553,874**	**153,468**	**72%**
Beginning 2026 Fund Balance	**331,356**	**329,315**	**329,315**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(213,253)**	**(89,234)**	**(178,468)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**118,103**	**240,081**	**150,846**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	150,847	150,847	150,847	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Transfers In include interfund transfers from the General Fund (#001) and Hotel/Motel Tax Fund (#107).

Expenses
- Include Professional services for Pettigrew Consulting, North Bend Art & Industry & 230 Main Affordable Housing Developer Reimbursement
- Personnel costs lower than budget, reflecting outstanding Teamsters-Clerical CBA and position vacancies.

	Special Revenue Funds				
Fund	**109**				
	AFFORDABLE HOUSING FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	21,992	-	-	(21,992)	0%
Miscellaneous	-	-	-	-	0%
Transfers In	169,264	169,264	338,528	169,264	50%
Total Revenues (Thru June 30, 2026)	**191,256**	**169,264**	**338,528**	**147,272**	**56%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	460	169,264	338,528	338,068	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**460**	**169,264**	**338,528**	**338,068**	**0%**
Beginning 2026 Fund Balance	**2,074,037**	**2,053,343**	**2,053,343**	**n/a**	**n/a**
Change to 2026 Fund Balance	**190,796**	**-**	**-**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**2,264,833**	**2,053,343**	**2,053,343**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	2,053,343	2,053,343	2,053,343	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Transfers In include interfund transfers from General Fund (#001).

Expenses
- Contracted Services include professional services for affordable housing.

	Special Revenue Funds
Fund	**116**

PARKS IMPROVEMENT GRANTS FUND

Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	99,064	-	-	(99,064)	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	5,611	3,445	6,891	1,279	81%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**104,675**	**3,445**	**6,891**	**(97,785)**	**1519%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	161,371	-	-	(161,371)	0%
Total Expenditures (Thru June 30, 2026)	**161,371**	**-**	**-**	**(161,371)**	**0%**
Beginning 2026 Fund Balance	**332,662**	**322,495**	**322,495**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(56,696)**	**3,445**	**6,891**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**275,966**	**325,941**	**329,386**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	329,384	329,384	329,384	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Grants/Intergovernmental include KC Parks, Trails & Open Space Levy.

Expenses
- Transfer out to Parks CIP for release of Funds for Ballarat Plaza project from KC Parks, Trails & Open Space Levy.

	Special Revenue Funds				
Fund	**117**				
	PARKS MAINTENANCE RESERVES FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	1,086	315	630	(456)	172%
Miscellaneous	-	-	-	-	0%
Transfers In	5,000	5,000	10,000	5,000	50%
Total Revenues (Thru June 30, 2026)	**6,086**	**5,315**	**10,630**	**4,544**	**57%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**-**	**-**	**-**	**-**	**0%**
Beginning 2026 Fund Balance	**66,984**	**66,112**	**66,112**	**n/a**	**n/a**
Change to 2026 Fund Balance	**6,086**	**5,315**	**10,630**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**73,070**	**71,427**	**76,743**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	76,742	76,742	76,742	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Investment and other revenues includes allocated interest earnings from city investments (budgeted conservatively)
- Transfers In include interfund transfers from the General Fund (#001).

Expenses
- No activity to note.

	Special Revenue Funds
Fund	**125**

DEVELOPMENT PROJECTS (CED)

Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	246,668	250,000	500,000	253,332	49%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	292	3,436	6,872	6,580	4%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**246,960**	**253,436**	**506,872**	**259,912**	**49%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	340,791	-	-	(340,791)	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	35,230	-	-	(35,230)	0%
Transfers Out	63,713	300,000	600,000	536,287	11%
Total Expenditures (Thru June 30, 2026)	**439,734**	**300,000**	**600,000**	**160,266**	**73%**
Beginning 2026 Fund Balance	**153,918**	**143,005**	**143,005**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(192,774)**	**(46,564)**	**(93,128)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**(38,856)**	**96,441**	**49,877**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	49,877	49,877	49,877	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Charges for Services include deposits received from developer payments.

Expenses
- Contracted Services include CED Development Consulting Services reimbursed through monthly charges for services and developer deposits.
- Transfers Out include interfund transfers to General Fund (#001).
- Other expenditures include developer refund to Genie/Terex

	Special Revenue Funds
Fund	**190**

TRANSPORTATION BENEFIT DISTRICT FUND

Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	389,005	336,375	672,750	283,745	58%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	57,040	15,572	31,143	(25,896)	183%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**446,045**	**351,947**	**703,893**	**257,848**	**63%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	175,000	1,584,500	3,169,000	2,994,000	6%
Total Expenditures (Thru June 30, 2026)	**175,000**	**1,584,500**	**3,169,000**	**2,994,000**	**6%**
Beginning 2026 Fund Balance	**3,689,569**	**3,636,325**	**3,636,325**	**n/a**	**n/a**
Change to 2026 Fund Balance	**271,045**	**(1,232,553)**	**(2,465,107)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**3,960,614**	**2,403,772**	**1,171,219**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	1,171,218	1,171,218	1,171,218	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Taxes include Transportation Benefit District 0.2% sales tax.
- Investment and other revenues includes allocated interest earnings from city investments (budgeted conservatively)

Expenses
- Transfers Out include interfund transfers to Street Overlay Fund (#103) and Municipal CIP Fund (#310)

Fund	Debt Service Funds 216				
	2011 FIRE STATION #87 BOND FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	77,628	26,960	50,000	(27,628)	155%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	2,330	725	1,450	(880)	161%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**79,958**	**27,685**	**51,450**	**(28,508)**	**155%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	4,375	74,375	148,750	144,375	3%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**4,375**	**74,375**	**148,750**	**144,375**	**3%**
Beginning 2026 Fund Balance	**115,874**	**114,593**	**114,593**	**n/a**	**n/a**
Change to 2026 Fund Balance	**75,583**	**(46,690)**	**(97,300)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**191,457**	**67,903**	**17,293**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	17,293	17,293	17,293	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Taxes include voter approved excess property tax levy for the City's share of costs related to construction of Fire Station #87.

Expenses
- Debt Service include debt service payments for bonds to finance the construction of Fire Station #87. Bonds will be fully paid off in 2030.

	Debt Service Funds
Fund	**217**

2012 LTGO (TBD) BOND FUND

Fund Title	Actual Year to Date thru June 30, 2026	Year to Date Budget	Annual Budget	Variance Annual Budget vs Actual to Date	% of Annual Budget Received or Spent
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	-	-	-	-	0%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**-**	**-**	**-**	**-**	**0%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**-**	**-**	**-**	**-**	**0%**
Beginning 2026 Fund Balance	**119**	**119**	**119**	**n/a**	**n/a**
Change to 2026 Fund Balance	**-**	**-**	**-**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**119**	**119**	**119**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	119	119	119	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

This fund is now closed. Bonds were fully paid off in 2021.

	Debt Service Funds				
Fund	**218**				
	2015 LTGO DOWNING STREET AND P&R BOND FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	-	-	-	-	0%
Miscellaneous	-	-	-	-	0%
Transfers In	104,000	104,000	208,000	104,000	50%
Total Revenues (Thru June 30, 2026)	**104,000**	**104,000**	**208,000**	**104,000**	**50%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	4,000	104,000	208,000	204,000	2%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**4,000**	**104,000**	**208,000**	**204,000**	**2%**
Beginning 2026 Fund Balance	**43,956**	**43,975**	**43,975**	**n/a**	**n/a**
Change to 2026 Fund Balance	**100,000**	**-**	**-**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**143,956**	**43,975**	**43,975**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	43,975	43,975	43,975	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Transfers In include interfund transfers from Streets Capital Fund (#102) and Real Estate Excise Tax Fund (#320).

Expenses
- Debt Service include debt service payments for bonds to finance the construction of Downing Street Extension and Park and Ride projects. Bonds will be fully paid off in 2026.

	Debt Service Funds				
Fund	**220**				
	2018 LTGO BOND FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	-	-	-	-	0%
Miscellaneous	-	-	-	-	0%
Transfers In	123,900	123,900	247,800	123,900	50%
Total Revenues (Thru June 30, 2026)	**123,900**	**123,900**	**247,800**	**123,900**	**50%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	63,900	123,900	247,800	183,900	26%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**63,900**	**123,900**	**247,800**	**183,900**	**26%**
Beginning 2026 Fund Balance	**(10)**	**(71,081)**	**(71,081)**	**n/a**	**n/a**
Change to 2026 Fund Balance	**60,000**	**-**	**-**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**59,990**	**(71,081)**	**(71,081)**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	(71,081)	(71,081)	(71,081)	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenue
- Transfers In includes interfund transfers from Real Estate Excise Tax Fund (#320).

Expenses
- Debt Service include debt service payments for bonds to finance the construction of City Hall building. Bonds will be fully paid off in 2043.

Fund	Capital Funds 310				
	MUNICIPAL CIP FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	5,693,562	11,055,285	22,110,571	16,417,009	26%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	4,256	-	-	(4,256)	0%
Miscellaneous	-	-	-	-	0%
Transfers In	938,446	4,711,207	9,422,415	8,483,969	10%
Total Revenues (Thru June 30, 2026)	**6,636,263**	**15,766,493**	**31,532,985**	**24,896,722**	**21%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	3,202,907	9,477,207	18,954,415	15,751,507	17%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**3,202,907**	**9,477,207**	**18,954,415**	**15,751,507**	**17%**
Beginning 2026 Fund Balance	**(1,267,404)**	**(1,700,799)**	**(1,700,799)**	**n/a**	**n/a**
Change to 2026 Fund Balance	**3,433,356**	**6,289,285**	**12,578,571**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**2,165,952**	**4,588,487**	**10,877,772**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	10,877,772	10,877,772	10,877,772	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Include Grant Reimbursements from active City Capital Improvement Projects.
- Transfers In include interfund transfers from Impact Fees, REET & Storm & Flood

Expenses
- Capital Outlay include expenses for City CIP active projects among others, SR202 Shared Use Trail Extention, Bendigo Blvd, NW 8th & NBW RR Crossing, and South Fork Ave Extention.

	Capital Funds				
Fund	**320**				
	REAL ESTATE EXCISE TAX CIP FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	567,402	800,000	1,600,000	1,032,598	35%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	72,741	36,678	73,355	614	99%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**640,143**	**836,678**	**1,673,355**	**1,033,212**	**38%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	545,814	965,550	1,931,100	1,385,286	28%
Total Expenditures (Thru June 30, 2026)	**545,814**	**965,550**	**1,931,100**	**1,385,286**	**28%**
Beginning 2026 Fund Balance	**4,266,161**	**4,249,469**	**4,249,469**	**n/a**	**n/a**
Change to 2026 Fund Balance	**94,329**	**(128,872)**	**(257,745)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**4,360,490**	**4,120,597**	**3,991,724**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	3,991,724	3,991,724	3,991,724	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Taxes include proceeds from Real Estate Excise Tax.

Expenses
- Transfers Out includes interfund transfers to Debt Service Funds (#218 and #220) and to the Municipal CIP Fund (#310).

Fund	Enterprise Funds 401				
	WATER UTILITY FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	642,976	120,000	240,000	(402,976)	268%
Charges for services	1,324,590	1,603,655	3,207,309	1,882,720	41%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	50,234	519,739	1,039,478	989,243	5%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**2,017,800**	**2,243,394**	**4,486,787**	**2,468,987**	**45%**
Expenses					
Personnel	729,695	874,102	1,748,204	1,018,509	42%
Supplies	95,897	128,666	257,333	161,436	37%
Contracted Services	457,078	759,616	1,519,233	1,062,154	30%
Capital Outlay	242,537	540,000	1,080,000	837,463	22%
Debt Service	197,256	105,291	210,582	13,326	94%
Other Expenditures	-	-	-	-	0%
Transfers Out	61,868	61,868	123,736	61,868	50%
Total Expenditures (Thru June 30, 2026)	**1,784,332**	**2,469,544**	**4,939,087**	**3,154,755**	**36%**
Beginning 2026 Fund Balance	**2,085,523**	**2,039,534**	**2,039,534**	**n/a**	**n/a**
Change to 2026 Fund Balance	**233,467**	**(226,150)**	**(452,300)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**2,318,991**	**1,813,384**	**1,587,233**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	1,587,234	1,587,234	1,587,234	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Grant/Intergovernmental includes Sallal Mitigation Intertie State Grant
- Charges for services include rate revenue from water utility services.
- Other revenue include General Facility Charges & Hydrant Permits

Expenses
- Expenses are for the daily maintenance and operations and capital construction needs of the Water Utility including Sallal Mitigation Intertie.
- Debt Service include payments to PWTF, SRF loan repayments.
- Personnel costs lower than budget, reflecting outstanding Teamsters-Clerical CBA and position vacancies.

	Enterprise Funds
Fund	**402**

SEWER UTILITY FUND

Fund Title	Actual Year to Date thru June 30, 2026	Year to Date Budget	Annual Budget	Variance Annual Budget vs Actual to Date	% of Annual Budget Received or Spent
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	562,500	1,125,000	1,125,000	0%
Charges for services	2,485,049	2,342,272	4,684,543	2,199,495	53%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	286,965	844,833	1,689,666	1,402,702	17%
Miscellaneous	8,129	-	-	(8,129)	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**2,780,142**	**3,749,605**	**7,499,209**	**4,719,067**	**37%**
Expenses					
Personnel	644,205	987,192	1,974,384	1,330,179	33%
Supplies	127,626	53,921	107,841	(19,785)	118%
Contracted Services	1,027,954	857,802	1,715,605	687,651	60%
Capital Outlay	928,432	931,709	1,863,418	934,986	50%
Debt Service	582,093	736,781	1,473,561	891,468	40%
Other Expenditures	-	-	-	-	0%
Transfers Out	46,401	46,401	92,802	46,401	50%
Total Expenditures (Thru June 30, 2026)	**3,356,710**	**3,613,805**	**7,227,611**	**3,870,900**	**46%**
Beginning 2026 Fund Balance	**18,156,074**	**18,006,570**	**18,006,570**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(576,568)**	**135,799**	**271,599**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**17,579,506**	**18,142,370**	**18,278,169**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	18,278,168	18,278,168	18,278,168	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Charges for services include rate revenue from sewer utility services.
- Other revenue include General Facility Charges.
- Misc. revenue include retainage for WWTP project improvements.

Expenses
- Expenses are for the daily maintenance and operations as well as capital construction needs of the Sewer Utility. Including Meadowbrook ULID #7 costs & South Fork Lift Station Design.
- Debt Service include payments to Sewer Bond Interest repayments.
- Personnel costs lower than budget, reflecting outstanding Teamsters-Clerical CBA and position vacancies.

	Enterprise Funds
Fund	**404**

STORM AND FLOOD CONTROL UTILITY FUND

Fund Title	Actual Year to Date thru June 30, 2026	Year to Date Budget	Annual Budget	Variance Annual Budget vs Actual to Date	% of Annual Budget Received or Spent
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	2,002	2,295	4,590	2,588	44%
Grants/Intergovtl	-	134,436	268,873	268,873	0%
Charges for services	825,073	963,291	1,926,581	1,101,508	43%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	55,627	209,094	418,187	362,560	13%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**882,702**	**1,309,115**	**2,618,231**	**1,735,529**	**34%**
Expenses					
Personnel	418,656	436,146	872,291	453,636	48%
Supplies	2,401	2,193	4,386	1,985	55%
Contracted Services	202,406	607,245	1,214,489	1,012,083	17%
Capital Outlay	379,137	906,000	1,812,000	1,432,863	21%
Debt Service	1,401	44,258	88,516	87,115	2%
Other Expenditures	-	-	-	-	0%
Transfers Out	93,434	93,434	186,868	93,434	50%
Total Expenditures (Thru June 30, 2026)	**1,097,435**	**2,089,275**	**4,178,551**	**3,081,115**	**26%**
Beginning 2026 Fund Balance	**1,139,571**	**1,103,874**	**1,103,874**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(214,733)**	**(780,160)**	**(1,560,320)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**924,838**	**323,714**	**(456,446)**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	(456,446)	(456,446)	(456,446)	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Grants include anticipated King County grant for the South Fork levee project.
- Charges for services include rate revenue from stormwater and flood control utility services.
- Other revenue include General Facility Charges.

Expenses
- Expenses are for the daily maintenance and operations as well as capital construction needs of the Stormwater and Flood Control utility.

Fund	Special Revenue Funds 401, 402, 404

WATER, SEWER, STORMWATER GFC COLLECTIONS HISTORY

Fund Title

Revenues
- Taxes
- Licenses and permits
- Grants/Intergovtl
- Charges for services
- Fines and penalties
- Investment interest & Other
- Miscellaneous
- Transfers In

Total Revenues (Thru June 30, 2026)

Expenses
- Personnel
- Supplies
- Contracted Services
- Capital Outlay
- Debt Service
- Other Expenditures
- Transfers Out

Total Expenditures (Thru June 30, 2026)

Beginning 2026 Fund Balance
Change to 2026 Fund Balance
Current Period 2026 Fund Balance
Budgeted 2026 Ending Fund Balance

	Water GFC	Sewer GFC	Stormwater GFC
2015	81,720	167,620	36,182
2016	199,520	261,687	27,650
2017	683,787	1,309,926	200,662
2018	967,337	1,808,214	526,777
2020	465,036	2,078,214	601,932
2021	157,089	2,154,287	1,053,521
2022	701,908	1,666,014	408,578
2023	1,430,498	2,482,054	356,477
2024	204,432	318,820	215,106
2025	531,956	923,939	263,383
2026 to-date	10,899	35,951	40,845
Avg (2015-25)	*513,000*	*1,316,000*	*377,000*

Source:
City financial records; budget includes all amendments through BA#5

Fund	405				
	SOLID WASTE AND RECYCLING FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	125,891	52,916	105,831	(20,060)	119%
Grants/Intergovtl	5,378	9,500	19,000	13,622	28%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	16,837	2,734	5,468	(11,368)	308%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**148,106**	**65,150**	**130,300**	**(17,806)**	**114%**
Expenses					
Personnel	22,902	32,930	65,860	42,958	35%
Supplies	288	146	292	5	98%
Contracted Services	31,466	28,802	57,604	26,138	55%
Capital Outlay	-	-	-	-	0%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	50,000	50,000	100,000	50,000	50%
Total Expenditures (Thru June 30, 2026)	**104,656**	**111,879**	**223,757**	**119,101**	**47%**
Beginning 2026 Fund Balance	**1,056,316**	**1,040,841**	**1,040,841**	**n/a**	**n/a**
Change to 2026 Fund Balance	**43,450**	**(46,729)**	**(93,458)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**1,099,765**	**994,112**	**947,383**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	947,384	947,384	947,384	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Licenses and permits include 7.5% Recology Franchise Fee payments.
- Grants/Intergovernmental include WA Department of Ecology Cleanup Day Grant Reimbursement.

Expenses
- Contracted Services include Annual Yard Waste Collection events.
- Transfers Out include interfund transfers out to Street Overlay Fund (#103).
- Personnel costs lower than budget, reflecting outstanding Teamsters-Clerical CBA and position vacancies.

	Enterprise Funds				
Fund			**451**		
			ULID #6 BOND FUND		
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	-	-	-	-	0%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	461,658	376,455	752,910	291,252	61%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**461,658**	**376,455**	**752,910**	**291,252**	**61%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	-	-	-	-	0%
Debt Service	211,762	376,455	752,910	541,148	28%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**211,762**	**376,455**	**752,910**	**541,148**	**28%**
Beginning 2026 Fund Balance	**569,626**	**486,415**	**486,415**	**n/a**	**n/a**
Change to 2026 Fund Balance	**249,896**	**-**	**-**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**819,522**	**486,415**	**486,415**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	486,415	486,415	486,415	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Other Revenues include proceeds from ULID #6 property assessments.

Expenses
- Debt service include debt service payments for the bonds to fund wastewater capital improvements in the ULID #6 service area.

	Internal Service Funds				
Fund	**501**				
	EQUIPMENT AND TECHNOLOGY OPERATIONS FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	459,040	459,040	918,080	459,040	50%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	4,568	-	-	(4,568)	0%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**464,612**	**459,040**	**918,080**	**453,468**	**51%**
Expenses					
Personnel	194,309	225,122	450,244	255,934	43%
Supplies	41,480	40,254	80,507	39,027	52%
Contracted Services	161,764	172,479	344,957	183,193	47%
Capital Outlay	7,993	3,442	6,885	(1,109)	116%
Debt Service	421	162	323	(97)	130%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**405,967**	**441,458**	**882,915**	**476,948**	**46%**
Beginning 2026 Fund Balance	**273,523**	**278,052**	**278,052**	**n/a**	**n/a**
Change to 2026 Fund Balance	**58,645**	**17,582**	**35,164**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**332,167**	**295,634**	**313,216**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	313,217	313,217	313,217	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Charges for services include internal administrative charges for citywide equipment and technology operations.

Expenses
- No significant items to note. Expenses are for the daily maintenance and operations and capital construction needs of the equipment and technology operations program.

	Internal Service Funds				
Fund	**502**				
	EQUIPMENT AND TECHNOLOGY RESERVES FUND				
Fund Title	**Actual Year to Date thru June 30, 2026**	**Year to Date Budget**	**Annual Budget**	**Variance Annual Budget vs Actual to Date**	**% of Annual Budget Received or Spent**
Revenues					
Taxes	-	-	-	-	0%
Licenses and permits	-	-	-	-	0%
Grants/Intergovtl	-	-	-	-	0%
Charges for services	59,310	75,000	150,000	90,690	40%
Fines and penalties	-	-	-	-	0%
Investment interest & Other	9,110	5,938	11,877	2,767	77%
Miscellaneous	-	-	-	-	0%
Transfers In	-	-	-	-	0%
Total Revenues (Thru June 30, 2026)	**68,420**	**80,938**	**161,877**	**93,457**	**42%**
Expenses					
Personnel	-	-	-	-	0%
Supplies	-	-	-	-	0%
Contracted Services	-	-	-	-	0%
Capital Outlay	143,287	174,150	348,300	205,013	41%
Debt Service	-	-	-	-	0%
Other Expenditures	-	-	-	-	0%
Transfers Out	-	-	-	-	0%
Total Expenditures (Thru June 30, 2026)	**143,287**	**174,150**	**348,300**	**205,013**	**41%**
Beginning 2026 Fund Balance	**1,135,522**	**1,104,753**	**1,104,753**	**n/a**	**n/a**
Change to 2026 Fund Balance	**(74,867)**	**(93,212)**	**(186,423)**	**n/a**	**n/a**
Current Period 2026 Fund Balance	**1,060,655**	**1,011,541**	**918,330**	**n/a**	**n/a**
Budgeted 2026 Ending Fund Balance	918,330	918,330	918,330	n/a	n/a

Source:
City financial records; budget includes all amendments through BA#5

Budget Notes:

Revenues
- Charges for services include internal administrative charges for citywide equipment and technology reserves.

Expenses
- Expenses include purchase of 2 Ford F150 utility trucks for Public Works as well as IT equipment replacement.

Transportation Capital Projects

	2026 Adopted Budget	Year To Date through June 30, 2026 2026 Actual % Spent to Date	2026 Actual to Date
Bendigo (SR-202) & Mt Si Blvd Roundabout	-	0%	$ 27,092
NW 14th Street Re-Build (west of SR-202)	-	0%	$ -
South Fork Levee Setback (T-021B)	-	0%	$ 49,650
Roundabout at North Bend Way / Mt Si Road Intersection	3,500,000	0%	$ 5,400
ULID: New Gardner Creek Bridge and NE 8th Street (west of NBW)	4,000,000	0%	$ -
North Bend Bridge No. 3 (NBW Bridge) Deck Replacement	-	0%	$ 23,632
McClellan Street Improvements	700,000	12%	$ 85,518
Roundabout at North Bend Way/NW 8th Street Intersection (Starfish RAB)	1,350,000	0%	$ 1,762
South Fork Avenue Extension - Bendigo to NW 8th Street	2,000,000	5%	$ 91,255
Middle Fork Flood Reconveyance	158,636	16%	$ 24,610
NB Way Bridge Deck #4	158,636	6%	$ 10,266
*Railroad Safety Crossings	63,431	3432%	$ 2,177,266
Sidewalk Gap Project along west side of SR-202 near NBW	-	0%	$ 669
Downtown Parking Garage	-	0%	$ -
Complete Streets of North Bend Way	3,000,000	2%	$ 55,204
NW 8th Street Widening and Sidewalk between North Bend Way and SR-202	-	0%	$ -
Park Street Corridor Re-Channelization including Main Ave Intersection	600,000	5%	$ 29,595
Tanner Trail Phases 2 and 3	-	0%	$ 3,929
Ballarat Ave Shoulder Widening or Sidewalk from 12th Street to 6th Street	-	0%	$ -
Cedar Falls Way Pedestrian Improvements south side only	-	0%	$ 42,622
SR-202 Traffic Reconfiguration	-	0%	$ -
Total	**15,530,703**	**17%**	**$ 2,628,470**

* Reimbursement Timing of $1.7M for 2025 work, received in 2026. Project Grant funded.

Prepared for Finance and Administration Committee; August 4, 2026.

Transportation Annual Maintenance and Capital Projects

	2026 Adopted Budget	Year To Date through June 30, 2026 2026 Actual % Spent to Date	2026 Actual to Date
TorgusonPark Trails & Plaza	0	0%	$ -
Ballarat Plaza	0	0%	$ -
Meadowbrook Prairie Loop	0	0%	$ 13,323
SR202 Shared Use Trail Ext & Ped Bridge	2,233,568	11%	$ 252,747
Middle Fork Outlook	0	0%	$ -
Total	**2,233,568**	**12%**	**$ 266,069**

Prepared for Finance and Administration Committee; August 4, 2026.

Transportation Annual Maintenance and Capital Projects

		Year To Date through June 30, 2026	
	2026 Adopted Budget	2026 Actual % Spent to Date	2026 Actual to Date
Sidewalk Trip Hazard Elimination	150,000	0%	$ -
2025 Sidewalk Gap Projects	0	0%	$ 152,206
2026 Sidewalk Gap Projects	0	0%	$ 152,907
Total	**150,000**	**203%**	**$ 305,113**

Prepared for Finance and Administration Committee; August 4, 2026.

General Government Facilities Capital Projects

	2026 Adopted Budget	Year To Date through June 30, 2026 2026 Actual % Spent to Date	2026 Actual to Date
City Hall Parking Lot Electrical Charging Stations	0	0%	$ -
Facilities Maintenance Program	132,000	0%	$ -
Public Works Admin. Building Generator and Electrical Upgrades	0	0%	$ -
Install Solar Panels on City Hall Roof	250,000	0%	$ -
KCSO Annex Improvements	0	0%	$ 3,255
Total	**382,000**	**0%**	**$ 3,255**

Prepared for Finance and Administration Committee; August 4, 2026.

Water Utility CIP

	2026 Adopted Budget	Year To Date through June 30, 2026 2026 Actual % Spent to Date	2026 Actual to Date
Sallal Mitigation Intertie	0	0%	$ 189,625
NW 8th Street AC Water Main Replacement from SR-202 to NBW	0	0%	$ (3,621)
NW 14th Street Water Main Extension to west dead end	0	0%	$ 3,621
Pickett Avenue AC Watermain Replacement and Extension	420,000	0%	$ -
Water Meter Replacement Program	180,000	0%	$ -
AC Watermain Replacement at Ogle Ave, Merritt Ave, Thrasher Ave, and NE 6th St	240,000	0%	$ -
National Guard Readiness Center Watermain Extension, Booster Station, and Reservoir	240,000	0%	$ -
Total	**1,080,000**	**0%**	**$ 189,625**

Prepared for Finance and Administration Committee; August 4, 2026.

Sewer Utility CIP

	2026 Adopted Budget	Year To Date through June 30, 2026 2026 Actual % Spent to Date	2026 Actual to Date
Meadowbrook Sewer Improvements (ULID #7) - Construction	0	0%	$ 843,564
Meadowbrook Sewer Improvements (ULID#7) - Professional Services	0	0%	$ 4,214
Sewering Silver Creek	1,500,000	0%	$ -
Solar Panels on Roof Above WWTP Oxidtaion Ditch	0	0%	$ -
ULID #6 Pump Station Improvements	150,000	0%	$ -
South Fork Lift Station Rehab-Design	0	0%	$ 23,488
North Bend Wastewater Treatment Plant Fencing Project	0	0%	$ 59,126
WWTP HPI Phase 3 - frontage improvements Construction	0	0%	$ 2,254
WWTP HPI Phase 3 - frontage improvements Design	180,000	0%	$ -
Total	**1,830,000**	**51%**	**$ 932,646**

Prepared for Finance and Administration Committee; August 4, 2026.

Stormwater Utility CIP

	2026 Adopted Budget	Year To Date through June 30, 2026	
		2026 Actual % Spent to Date	2026 Actual to Date
South Fork Levee Setback	312,000	0%	$ -
6th Street Collection and Conveyance	400,000	0%	$ -
Pearce Lane Collection and Conveyance	300,000	0%	$ -
Main Ave Collection and Conveyance	400,000	94%	$ 377,930
5th Street Collection and Conveyance	400,000	0%	$ -
Ribary Creek Flood Risk Reduction	0	0%	$ 1,208
Total	**1,812,000**		**$ 379,137**

Prepared for Finance and Administration Committee; August 4, 2026.

				Year To Date through June 30, 2026	
Daily Fleet Vehicles			2026 Adopted Budget	2026 Actual % Spent to Date	2026 Actual to Date
2026	Ford	F150	$0	100%	$102,985
2008	Chevy	1500 2WD	$0	0%	$0
2005	Chevy	2500 4WD	$0	0%	$0
2005	Chevy	1500 4WD	$0	0%	$0
2003	Chevy	2WD 1500	$0	0%	$0
1999	Ford	Expedition	$0	0%	$0
1994	Ford	Ranger	$0	0%	$0
1993	Ford	Ranger	$0	0%	$0
1993	Ford	F150	$53,000	0%	$0
1993	Ford	F250	$53,000	0%	$0
Total			**$106,000**	**0%**	**$102,985**

Emergency, Seasonal and Support Vehicles			2026 Adopted Budget	2026 Actual % Spent to Date	2026 Actual to Date
1992	Chevy Kodiak	Dump Truck	$0	0%	$0
1986	Chevy	Utility Service Truck	$127,300	0%	$0
Total			**$127,300**	**0%**	**$0**

Equipment			2026 Adopted Budget	2026 Actual % Spent to Date	2026 Actual to Date
	NEW	Skid Steer	$65,000	0%	$0
	NEW	Manlift	$0	0%	$0
	NEW	Tractor	$0	0%	$0
	NEW	Street Sweeper	$0	0%	$0
Total			**$0**	**0%**	**$0**

Information Technology			2026 Adopted Budget	2026 Actual % Spent to Date	2026 Actual to Date
	NEW	Council Chambers AV	$0	0%	$0
	Recurring	Annual IT investments	$50,000	30%	$15,024
Total			**$50,000**	**30%**	**$15,024**

Prepared for Finance and Administration Committee; August 4, 2026.

Council F&A Committee
Budget 101 – Session 3 of 3
August 4, 2026

Budget 101 - Agenda

Learning objectives

- Refresher for F&A Committee members on the citywide sources and uses
- Understand looming challenges and opportunities
- Serve as a resource to F&A and to other Council members

Planned sessions

~~#1 June 2nd – sources of city taxes~~

~~#2 July 16th – other sources of city revenues~~

#3 August 4th – city expenditures

Recap from Session #1
Sources and Uses of Tax Revenues

Sources of Tax Revenue	General Fund	Hotel Motel Tax Fund	Affordable Housing Fund	Transportation Benefit District Fund	Fire Station Debt Service Fund	Real Estate Excise Tax Fund
Property Taxes	5,589,817	0	0	0	245,717	0
Sales Taxes	8,446,742	0	662,478	1,322,750	0	0
Business Taxes	2,706,411	0	0	0	0	0
Utility Taxes	3,163,817	0	0	0	0	0
Gambling Taxes	100,000	0	0	0	0	0
Leasehold Excise Taxes	4,332	0	0	0	0	0
Hotel Motel Taxes	0	52,618	0	0	0	0
Real Estate Excise Taxes	0	0	0	0	0	3,200,000
Total 2025-2026 Taxes	**20,011,118**	**52,618**	**662,478**	**1,322,750**	**245,717**	**3,200,000**

T*he Washington State Constitution grants exclusive authority to the State Legislature to create taxes. Municipalities may therefore assess, increase or decrease local tax rates, but it cannot create any new forms of taxes.*

80% of General Fund derived from 4 sources of tax revenues and development revenues

Recap from Session

2025-2026 Other Sources of Revenue

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Improvement Funds	Utility Funds	Internal Service Funds
Taxes	*Sales, Property, Utility* 20.7	*Hotel/Motel, Sales, Transp BD* 1.4	*Property* 0.3	*REET* 3.2	0.0	0.0
Fees and Charges	*Dev Fees* 2.3	*Impact Fees* 12.1	0.0	0.0	*Utility rates* 22.9	2.0
Intergovt'l Revs	0.3	0.4	0.0	*Grants* 20.9	*Grants, Debt* 12.7	0.0
Interfund Transfers	*Overhead* 1.2	4.8	1.1	9.9	0.0	0.0
Licenses / Permits	0.6	0.1	0.0	0.0	0.2	0.0
Fines / Penalties	0.2	0.0	0.0	0.0	0.0	0.0

2025-2026 Citywide Expenditures

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Improvement Funds	Utility Funds	Internal Service Funds
Sal/Bfts	*CPI-W; Coll Barg. Agrts* 6.8	*CPI-W; Coll Barg. Agrts* 1.7	--	--	*CPI-W; Coll Barg. Agrts* 9.1	0.9
Supplies	0.2	0.1	--	--	0.8	0.2
Services	*Police, Fire, Jail, Legal* 15.8	*Streets maint* 1.0	--	--	6.9	*Eqt and Tech maint* 0.7
Capital / Other	0.4	*Impact fees; streets* 8.3	1.2	*Municipal CIP* 29.1	*Utility CIP* 19.5	*Eqt and Tech invest* 1.0
Interfund Transfers Out	*Econ Dev; Aff Hsg;* 2.9	*CIP* 12.3	-	--	*Overhead payments* 1.0	0.1

Policy Documents and Governing Framework

- Comprehensive plan
- Transportation improvement plan
- State growth management act
- Utility system plans
- Economic development plans
- Public safety response times
- Streets maintenance / pavement indices
- Human health and safety
- Contractual obligations
- Population growth targets (State/County)
- Affordable housing targets (State/County)
- Regulatory compliance (e.g. drinking water quality, surface water runoff) (State/County)

Service Level Activities to Carryout Policy Framework

- External facing employee service delivery
- Internal facing support services (Admin, Fin, HR)
- Public safety OPEX (emergency response; Police and Fire contracts; Jail contract; Legal services contracts; sidewalk safety; street lighting / crossings)
- Daily OPEX including streets and utility maintenance (sign maintenance, vegetation control)
- Water treatment and wastewater treatment OPEX
- CAPEX to maintain critical infrastructure and serve growth
- CAPEX infrastructure needed by businesses
- Customer demands/expectations

Key Drivers for 2027-2028 Budget

- Fiscal sustainability for public safety costs
  - New source of revenue needed
- Continued investment in local infrastructure
  - Transpo and utility CIP
- Economic, business and housing development
  - Project 34, Project Belay, Middle Fork development, Pannatoni, Annexations
- Regional fire authority
  - Fire services and financial sustainability and resiliency

Questions?

2027-28 Budget Calendar and Key Dates (tentative)

Meeting	Topic
Oct 6	• Mayor’s 2027-28 budget message • Staff presentation 2027-28 budget • Ordinance adopting 2027-28 budget - 1st Reading • Ordinance setting 2027 Property Tax levy - 1st Reading • Ordinance imposing Local Law Enforcement Sales Tax 0.1% - 1st Reading • Council review and approve Human Services and Cultural Arts 2027-28
Oct 13	CC Workstudy (if needed)
Oct 27	CC Workstudy (if needed)
Nov 17	• Ordinance setting 2027 Property Tax levy - 2nd Reading/Adoption • Ordinance imposing Local Law Enforcement Sales Tax 0.1% - 2nd Reading/Adoption
Dec 1	• Ordinance adopting 2027-28 budget - 2nd Reading/Adoption

CITY OF NORTH BEND

2027-2028 BUDGET DEVELOPMENT SCHEDULE

#	Task	January	February	March	April	May	June	July	August	September	October	November	December
	Financial Forecast and Budget Instructions												
1	Prepare 2025-2032 biennium end financial forecast (citywide revenues and expenses)												
2	Share 2027- 28 budget development calendar with Exec Team, F&A, and Council												
3	Prepare 2027-2032 financial forecast #1 - share at Council Retreat		Retreat	*Financial Forecast #1*									
4	Prepare and distribute budget instructions			*Budget instructions distributed*									
5	Meet with all Department Managers to provide budget instructions												
6	**Department Budget Preparation**												
7	Facilitate development of citywide budget requests from departments (opex and capex)												
8	Meet with all Department Managers to review departmental budget requests												
9	1st draft preliminary 2027-28 budget					*Departmental budget requests due to Finance*							
10	2027-2032 financial forecast update #2						*Review Financial Forecast #2*						
11	Executive Team review budget requests and financial forecast						*Executive Team budget review*						
12	Preliminary budget finalized (Pre-Mayor review)												
13	Prepare budget decision cards if applicable												
14	**Six Year CIP Budget Preparation**												
15	Kickoff meeting with Public Works												
16	Prepare individual CIP informatic worksheets												
17	Determine 2027-2032 annual CIP spending plan and funding sources												
18	Finalize 2027-2032 annual CIP spending plan and funding strategy												
19	Finalize individual CIP infomatic worksheets												
20	Incorporate details into citywide 2027-2028 budget												
21	**Mayor Budget Review**												
22	Mayor's review of citywide budget requests						*Mayor begins budget review*						
23	Meet with Mayor and Department Managers												
24	2nd draft preliminary 2027-28 budget							*Revisions to budget per Mayor's direction due to Finance*					
25	2027-2032 financial forecast update #3								*Review Financial Forecast #3*				
26	3rd and final draft preliminary 2027-28 budget							*Mayor's Prelim Budget*					
27	Mayor's Budget Address									*Mayor's budget address to Council*			
28	Preliminary Budget Presentation to Council by Finance									*Mayor's preliminary budget transmitted to Council*			
29	2027 Property Tax Ordinance prepared by Finance												
30	2027 Fees Resolution prepared by Finance												
31	2027-28 Omnibus Appropriations Ordinance prepared by Finance												
32	**Council Budget Review**												
33	Council F&A Committee review and approves budget calendar		*F&A reviews budget calendar at Feb 10th meeting*										
34	Council review and approves budget calendar			*Council receives financial forecast at Mar 10th meeting*									
35	Council budget workstudy #1 (added per F&A)						*Budget workstudy*						
36	Council budget workstudy #2 (added per F&A)							*Budget workstudy*					
37	Council prepares budget requests for decision cards if applicable										*Council decision cards*		
38	Council reviews Mayor's Preliminary Budget										*Council budget review*		
39	Workshop #1										*Budget workshop #1 (September 22nd)*		
40	Workshop #2										*Budget workshop #2 (October 13th)*		
41	Workshop #3											*Budget workshop #3 (October 27th)*	
42	**Council Public Hearings**												
43	Council Public Hearing #1 - 2027 Property Taxes and 2027-28 Revenues									*PH #1 (Property Taxes and Revenues)*			
44	Council Public Hearing #2 - Mayor's 2027-28 Preliminary Budget										*PH #2 (Mayor's Preliminary Budget)*		
45	Council Public Hearing #3 - Final Public Hearing											*PH #3 (Final budget hearing)*	
46	**Budget Legislative Packages**												
47	2026-2030 Water and Sewer Utility Rates												
48	2026 Salary Ordinance and Schedule												
49	2027 Property Tax Ordinance Adopted										Track PT - WS	*Prop Tax Ordinance Adopted*	
50	2027 Fees Resolution Adopted											*Fees Resolution Adopted*	
51	2027 Salary Ordinance and Schedule												
52	2027-28 Appropriations Ordinance Adopted											*Budget Ordinance adopted*	
53	**Final Adopted Budget**												
54	Final Adopted 2027-28 Budget Published by Finance												

NB Finance: April, 2026

2026 F&A Workplan

F&A Meeting	Proposed Topic
September 1	• 2027-28 Revenue Forecast • Cancellation of outstanding checks • August monthly budget status report
October 6	• 2027-28 Biennial Budget Preview & Omnibus budget ordinances • Sept monthly budget status report
November 2	• 2026 Year End budget amendment (if needed) • Oct monthly budget status report
December 1	• F&A meeting cancellation (Nov monthly budget status report distributed by email)

Human Services and Cultural Arts Allocations Process

Calendar

- July 31 – Grant applications sent out
- Sep 14 – Grant applications due
- Sep 21-Oct 1 – Human Services Committee review / recommendations
- Oct 6 – Council review and approval; Allocations to be included in 2027-2028 budget

Funding ($000s)

	2024A	2025A	2026A	2027P	2028P
Human Svcs	$210	$210	$210	$228	$237
Cultural Arts	$39	$39	$39	$46	$47
Total	$249	$249	$249	$274	$284
% of Sales Taxes	*6.4%*	*5.6%*	*5.4%*	*6.0%*	*6.0%*
Average		*5.8%*			*6.0%*