



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Sedro-Woolley

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

Published August 22, 2024

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

August 22, 2024

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sedro-Woolley's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Sedro-Woolley January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Sedro-Woolley 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 no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
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

None reported.



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Sedro-Woolley Municipal Building
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Sedro-Woolley, WA 98284
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Kelly Kohnken
Finance Director / City Clerk

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Sedro-Woolley January 1, 2023 through December 31, 2023

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

Audit Period: January 1, 2022 – December 31, 2022	Report Ref. No.: 1033668	Finding Ref. No.: 2022-001
Finding Caption: The City did not have adequate internal controls to ensure accurate reporting of the Schedule of Expenditures of Federal Awards.		
Background: The City prepared a Schedule of Expenditures of Federal Awards (SEFA) to document the federal grant funding it spent during the year. The federal government requires award recipients to complete a SEFA, and the State Auditor's Office uses it to determine which federal programs require additional audit procedures. Our audit found the city did not have an adequate process in place to ensure a federal program with an outstanding loan balance that required reporting was included on its SEFA.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The city has a USDA loan for the building of City Hall / Courtroom. When the building was initially constructed the city reported the expenditures and the loan on the SEFA. The program was then audited by the State Auditor's Office. Between 2011–2021, the language in the federal compliance requirement stated this loan did not have continuing compliance requirements and therefore did not need to be reported on the SEFA. The USDA changed this position and determined these loans do have continuing compliance requirements and therefore should be reported on the SEFA. The city corrected this error on the fiscal year 2022 SEFA and reported the federal loan on the 2023 SEFA.</i>		

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 Sedro-Woolley January 1, 2023 through December 31, 2023

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, 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 Sedro-Woolley, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 14, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

August 14, 2024

INDEPENDENT AUDITOR'S REPORT

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

City of Sedro-Woolley
January 1, 2023 through December 31, 2023

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Sedro-Woolley, 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also

serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

August 14, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Sedro-Woolley January 1, 2023 through December 31, 2023

Mayor and City Council
City of Sedro-Woolley
Sedro Woolley, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Sedro-Woolley, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Sedro-Woolley, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sedro-Woolley, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The 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 14, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

August 14, 2024

FINANCIAL SECTION

City of Sedro-Woolley January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	102 Cemetery Fund	103 Street Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	25,100,665	3,112,178	157,321	234,507
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	10,192,814	7,352,914	95,796	602,546
320	Licenses and Permits	445,843	445,843	-	-
330	Intergovernmental Revenues	2,889,726	2,157,749	-	249,467
340	Charges for Goods and Services	12,377,996	1,838,973	81,172	139
350	Fines and Penalties	33,797	33,697	-	-
360	Miscellaneous Revenues	1,861,016	1,018,403	300	1,200
Total Revenues:		27,801,192	12,847,579	177,268	853,352
Expenditures					
510	General Government	2,179,047	1,847,550	-	-
520	Public Safety	7,964,279	7,200,341	-	-
530	Utilities	7,244,879	-	164,386	-
540	Transportation	801,758	-	-	754,597
550	Natural/Economic Environment	332,145	290,895	-	-
560	Social Services	24,724	24,724	-	-
570	Culture and Recreation	1,056,878	970,545	-	-
Total Expenditures:		19,603,710	10,334,055	164,386	754,597
Excess (Deficiency) Revenues over Expenditures:		8,197,482	2,513,524	12,882	98,755
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,077,319	1,839,614	-	76,220
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	405,083	36,340	-	7,701
Total Other Increases in Fund Resources:		4,482,402	1,875,954	-	83,921
Other Decreases in Fund Resources					
594-595	Capital Expenditures	5,365,563	1,832,485	6,599	50,587
591-593, 599	Debt Service	1,478,870	83,769	-	-
597	Transfers-Out	4,077,318	876,904	12,000	88,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	395,661	333,805	-	-
Total Other Decreases in Fund Resources:		11,317,412	3,126,963	18,599	138,587
Increase (Decrease) in Cash and Investments:		1,362,472	1,262,515	(5,717)	44,089
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	5,735,115	16,020	-	-
50841	Committed	1,394,775	529,851	-	-
50851	Assigned	15,598,866	94,434	151,607	278,594
50891	Unassigned	3,734,391	3,734,391	-	-
Total Ending Cash and Investments		26,463,147	4,374,696	151,607	278,594

The accompanying notes are an integral part of this statement.

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

		104 Arterial Street Fund	105 Library Fund	108 Lodging Tax Fund	109 Special Investigation Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,152,321	377,879	61,370	48,263
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	439,314	52,102	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	330,128	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	4,547	500	-	387
Total Revenues:		334,675	439,814	52,102	387
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	9,908	-	-	-
550	Natural/Economic Environment	-	-	41,250	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	86,333	-	-
Total Expenditures:		9,908	86,333	41,250	-
Excess (Deficiency) Revenues over Expenditures:		324,767	353,481	10,852	387
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	429,749	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		429,749	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,298,648	-	-	12,417
591-593, 599	Debt Service	-	352,863	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,298,648	352,863	-	12,417
Increase (Decrease) in Cash and Investments:		(544,132)	618	10,852	(12,030)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	608,189	378,497	72,222	-
50841	Committed	-	-	-	36,233
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		608,189	378,497	72,222	36,233

The accompanying notes are an integral part of this statement.

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

		112 Code Enforcement Fund	114 Law Enforcement Sales Tax	115 City Council Strategic Reserve	189 American Rescue Plan Act Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	122,987	-	618,168	3,132,580
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	763,938	36,000	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	100	-	-	-
360	Miscellaneous Revenues	200	-	350	-
Total Revenues:		300	763,938	36,350	-
Expenditures					
510	General Government	-	-	-	331,497
520	Public Safety	-	763,938	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	763,938	-	331,497
Excess (Deficiency) Revenues over Expenditures:		300	-	36,350	(331,497)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	399,000	1,360,835
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	399,000	1,360,835
Increase (Decrease) in Cash and Investments:		300	-	(362,650)	(1,692,332)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	1,440,248
50841	Committed	123,287	-	-	-
50851	Assigned	-	-	255,518	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		123,287	-	255,518	1,440,248

The accompanying notes are an integral part of this statement.

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

		205 2008 G/O Bond Fund	206 G/O Bond 2008 Reserve Fund	301 1st 1/4% Real Estate Excise Tax	302 2nd 1/4% Real Estate Excise Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	82,244	150,000	798,004	825,279
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	52,610	-	287,972	287,972
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	50	-	2,000	2,000
Total Revenues:		52,660	-	289,972	289,972
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		52,660	-	289,972	289,972
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	108,544	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		108,544	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	150,550	-	-	-
597	Transfers-Out	-	-	136,567	136,567
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		150,550	-	136,567	136,567
Increase (Decrease) in Cash and Investments:		10,654	-	153,405	153,405
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	150,000	951,409	978,684
50841	Committed	-	-	-	-
50851	Assigned	92,898	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		92,898	150,000	951,409	978,684

The accompanying notes are an integral part of this statement.

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

		303 Building Maintenance Reserve	304 Transportation Benefit District	310 Police Mitigation Reserve Fund	311 Parks Impact Fee Reserve Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	68,701	309,261	183,672	551,825
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	221,650	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	52,352	245,179
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,500	1,651	300	1,200
Total Revenues:		2,500	223,301	52,652	246,379
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		2,500	223,301	52,652	246,379
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	261,315	-	92,799
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	261,315	-	92,799
Increase (Decrease) in Cash and Investments:		2,500	(38,014)	52,652	153,580
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	271,248	-	-
50841	Committed	-	-	-	705,404
50851	Assigned	71,201	-	236,325	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		71,201	271,248	236,325	705,404

The accompanying notes are an integral part of this statement.

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

		312 Fire Impact Fee Reserve Fund	314 Transportation Impact Fee	401 Sewer Operations Fund	412 Solid Waste Operations Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	269,513	322,622	6,898,128	1,158,459
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	86,077	-
340	Charges for Goods and Services	56,120	218,792	4,928,049	3,821,071
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	550	1,000	795,192	11,767
Total Revenues:		56,670	219,792	5,809,318	3,832,838
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	3,035,561	3,152,856
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	3,035,561	3,152,856
Excess (Deficiency) Revenues over Expenditures:		56,670	219,792	2,773,757	679,982
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	358,617	2,425
Total Other Increases in Fund Resources:		-	-	358,617	2,425
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	13,683	-
591-593, 599	Debt Service	-	-	628,376	6,467
597	Transfers-Out	-	-	129,003	438,088
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	3,239
Total Other Decreases in Fund Resources:		-	-	771,062	447,794
Increase (Decrease) in Cash and Investments:		56,670	219,792	2,361,312	234,613
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	326,184	542,414	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	9,259,440	1,393,073
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		326,184	542,414	9,259,440	1,393,073

The accompanying notes are an integral part of this statement.

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

		425 Stormwater Operations	501 Equipment Replacement Fund	505 Public Works Facility Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	1,117,127	2,612,134	736,122
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	66,305	-	-
340	Charges for Goods and Services	1,043,977	92,172	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	12,908	4,000	11
Total Revenues:		1,123,190	96,172	11
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	892,076	-	-
540	Transportation	-	37,253	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		892,076	37,253	-
Excess (Deficiency) Revenues over Expenditures:		231,114	58,919	11
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	1,388,194	234,998
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	1,388,194	234,998
Other Decreases in Fund Resources				
594-595	Capital Expenditures	13,422	1,494,281	643,441
591-593, 599	Debt Service	3,356	-	253,489
597	Transfers-Out	146,240	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	58,617	-	-
Total Other Decreases in Fund Resources:		221,635	1,494,281	896,930
Increase (Decrease) in Cash and Investments:		9,479	(47,168)	(661,921)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	1,126,609	2,564,965	74,202
50891	Unassigned	-	-	-
Total Ending Cash and Investments		1,126,609	2,564,965	74,202

The accompanying notes are an integral part of this statement.

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

		Custodial
308	Beginning Cash and Investments	1,880
388 & 588	Net Adjustments	-
310-390	Additions	38,452
510-590	Deductions	38,426
	Net Increase (Decrease) in Cash and Investments:	26
508	Ending Cash and Investments	1,906

The accompanying notes are an integral part of this statement.



Notes to the Financial Statements
City of Sedro-Woolley
Fiscal Year Ending December 31, 2023

Note 1 – Summary of Significant Accounting Policies

The City of Sedro-Woolley was incorporated on December 1898, on September 3, 2007 the city became a non-charter code city. The city is a general purpose local government and provides police and fire protection, including emergency medical response services, engineering, street and arterial construction and maintenance, parks and recreation services, a public library and general administrative services. In addition, the city owns and operates a cemetery, a sewer system, a solid waste collection service, and a storm water management system.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see Note 13 – Component Units, Joint Ventures, and Related Parties).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the city are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The city's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

Governmental Fund Types:

General Fund

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



Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Proprietary Fund Types:

Enterprise Funds

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

Internal Service Funds

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

Fiduciary Fund Types:

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

Private-Purpose Trust Funds

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid. In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4 – Deposits and Investments.



D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 280 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,440 hours. Upon separation or retirement employees do not receive payment for unused sick leave except upon retirement employees receive payment of 25% of unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 7 – Long-term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments are listed in the below table.

Fund	Type	Authority	Restricted Balance
General Fund - 001	Committed	RCW 82.14.530 - Sales and use tax for housing and related services (HB 1590)	478,916.19
General Fund - 001	Committed	Affordable housing (HB 1406)	50,934.76
General Fund - 001	Restricted	National opioid settlement	16,019.85
Arterial Street - 104	Restricted	State and federal grants	608,188.59
Library - 105	Restricted	Contract with Central Skagit Library District	378,496.51
Lodging Tax Fund - 108	Restricted	RCW 67.28.1815	72,221.81
Special Investigations Fund - 109	Committed	RCW 10.105.010	36,233.38



Code Enforcement - 112	Committed	Appeal fees	123,286.66
American Rescue Plan Act - 189	Restricted	Federal grant	1,440,247.93
2008 GO Bond Fund - 206	Restricted	Ordinance No. 1619-08	150,000.00
1st ¼% Real Estate Excise Tax Fund - 301	Restricted	RCW 82.45	951,409.24
2nd ¼% Real Estate Excise Tax Fund - 302	Restricted	RCW 82.45	978,684.33
Transportation Benefits District Fund - 304	Restricted	RCW 36.73	271,247.64
Parks Impact Fee Reserve Fund - 311	Committed	RCW 82.02.070	705,404.38
Fire Impact Fee Reserve Fund - 312	Restricted	RCW 82.02.070	326,183.50
Transportation Impact Fee Reserve Fund - 314	Restricted	RCW 82.02.070	542,414.02
Total Restricted and Committed Funds:			7,129,888.79

Note 2 – Budget Compliance

The city adopts biennial appropriated budgets for all funds except the Municipal Court Trust.

These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets are listed below.

Fund No.	Description	Final Budget	Actual Expenses	Variance
001	Fund	12,065,767	11,390,261	675,507
101	Parks & Facilities Fund	2,232,329	2,160,958	71,371
102	Cemetery Fund	186,821	182,946	3,875
103	Street Fund	916,480	893,185	23,295
104	Arterial Street Fund	2,245,610	1,308,558	937,052
105	Library Fund	439,314	439,197	117
106	Cemetery Endowment Fund	-	5,559	(5,559)
108	Lodging Tax Fund	47,250	41,250	6,000
109	Special Investigation Fund	13,000	12,417	583



112	Code Enforcement Fund	2,500	-	2,500
114	Law Enforcement Sales Tax	760,000	763,938	(3,938)
115	City Council Strategic Reserve	399,000	399,000	(0)
116	Affordable Housing	-	-	-
117	Housing and Related Services	7,000	10,389	(3,389)
118	National Opioid Settlement	-	-	-
189	American Rescue Plan Act	2,084,933	1,692,332	392,601
205	2008 G/O Bond Fund	200,558	150,550	50,008
206	G/O Bond 2008 Reserve Fund	-	-	-
301	1st 1/4% Real Estate Excise Tax Fund	241,655	136,567	105,088
302	2nd 1/4% Real Estate Excise Tax Fund	266,655	136,567	130,088
303	Building Maintenance Reserve	30,000	-	30,000
304	Transportation Benefit District	261,315	261,315	-
310	Police Mitigation Reserve Fund	-	-	-
311	Parks Impact Fee Reserve Fund	161,000	92,799	68,201
312	Fire Impact Fee Reserve Fund	-	-	-
314	Transportation Impact Fee Reserve Fund	156,855	-	156,855
401	Sewer Operations Fund	5,521,951	3,662,515	1,859,436
410	Sewer Capital Projects Fund	1,854,000	604,008	1,249,992
412	Solid Waste Operations Fund	3,646,664	3,725,650	(78,986)
413	Solid Waste Reserve Fund	-	-	-
425	Stormwater Operations Fund	1,296,143	1,113,709	182,434
426	Stormwater Reserve Fund	69,000	-	69,000
501	Equipment Replacement Fund	2,151,200	1,531,535	619,665
505	Public Works Facility Fund	913,500	896,930	16,570
635	Municipal Court Trust	53,150	38,425	14,725
	Total	\$ 38,223,650	\$ 31,650,557	\$ 6,573,093

Budgeted expenditures include interfund transfers. Some funds are combined for reporting on the Fund Resources and Uses Arising from Cash Transactions (C4) statement and therefore interfund transactions have been adjusted on the C4. Funds 001, 101, 116, 117, and 118 roll up to the General Fund on the C4, transfers between funds of \$100,592.19 have been removed from the C4. Similarly funds 102 and 106 roll up to the Cemetery Fund and eliminate \$5,522.00 in transfers; funds 401 and 410 roll up to the Sewer Fund and eliminate \$459,900 in transfers; funds 412 and 413 roll up to the Solid Waste Fund and eliminate transfers of \$125,000.04; funds 425 and 426 roll up to the Stormwater Funds and have no transfers.

Note 3 – Risk Management

A. Association of Washington Cities (AWC)



The city is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust. As of December 31, 2023, 264 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line



of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

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

B. Cities Insurance Association of Washington (CIAW)

The City of Sedro-Woolley is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2023, membership includes 196 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to a group aggregate limit of \$50,000,000 with a self-insured retention



(SIR) of \$750,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$750,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$750,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$8,347,047, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$750,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$750,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2023, were \$3,172,936.78.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered-term basis and the Board is responsible for conducting the business affairs of the program.

Note 4 – Deposits and Investments

Investments are reported at their original cost, with interest earnings recorded when earned. Deposits and investments by type at December 31, 2023 are below.



Type of Investment	City own deposits and investments	Deposits and investments held by the city as custodian for tother local governments, individuals, or private organizations	Total
Bank deposits	3,700,638.72	-	3,700,638.72
Local Government Investment Pool	15,150,236.13	-	15,150,236.13
US Bank Safekeeping	7,405,445.25	-	7,405,445.25
Other	208,732.33	-	208,732.33
Total	26,465,052.43	-	26,465,052.43

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is not prorated to the various funds, as allowed by RCW 35.39.034.

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

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

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

All investments are insured, registered or held by the city or its agent in the city's name.

Note 5 – Property Tax

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



Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax billed are mailed.
April 30	First of two equal installment payments are due.
May 31	Assess value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

The city's regular levy for the year 2023 was \$1.8007 per \$1,000 on an assessed valuation of \$1,714,272,871 for a total regular levy of \$3,087,040. Exemptions of \$1.5671 per \$1,000 on an assessed valuation of \$19,185,315 for a total levy of \$30,066. Total levy of \$3,117,106.

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

Note 6 – Interfund Loans

The following table displays interfund loan activity during 2023.

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
Stormwater Fund 425	Sewer Capital Project Reserve 410	58,616.11	-	58,616.11	-
General Fund 001	Sewer Capital Project Reserve 410	300,000.00	-	300,000.00	-
	Total	358,616.11	-	358,616.11	-

Note 7 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2023.

The debt service requirements for City's 2019 Bond, USDA loan, and public works trust fund loans are as follows:

Year	Principal	Interest	Total
2024	977,541.17	380,470.23	1,358,011.40
2025	992,233.07	362,576.25	1,354,809.32



2026	968,984.03	344,095.00	1,313,079.03
2027	634,362.62	325,205.99	959,568.61
2028	655,103.12	307,455.45	962,558.57
2029-2033	2,534,781.80	1,254,299.75	3,789,081.55
2034-2038	3,070,424.28	718,156.45	3,788,580.73
2039-2043	1,605,751.62	144,413.16	1,750,164.78
Total	\$ 11,439,181.70	\$ 3,836,672.29	\$ 15,275,853.99

On November 17, 2021, the City of Sedro-Woolley issued a LOCAL Program General Obligation Bond for the purpose of financing the design and construction of a new Public Works facility. LOCAL Program financing is structured as a financing lease contract offered through the Office of the State Treasurer (OST). OST pools the various lease agreements across all LOCAL participants and packages them as a security called a Certificate of Participation (COP). The LOCAL Program allows participants access to the national tax-exempt market through a competitive bid process, regardless of the size of their financing contract. Because of the pooled approach, the cost of issuance for local agencies is limited to the incremental cost of their participation.

The financing lease component for the City of Sedro-Woolley was included in the Certificates of Participation (COPs) sold on October 26, 2021 by competitive sale to KeyBanc Capital Markets. The All Inclusive Cost (AIC) of financing lease 0647-1-1 is 2.42%. The lease amount financed is \$3,165,000.00 and nets City of Sedro-Woolley \$4,000,000.00 for the cost of the project. Payment dates begin on June 1, 2022 and continue semi-annually thereafter.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all city's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

LEOFF Plan 1

The city also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded,



funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

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

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington ACFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2023, the city's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	157,767.00	0.02315%	528,498.00
PERS 2/3	262,444.00	0.02985%	(1,223,457.00)
VFFRPF	690.00	0.40000%	(78,968.65)
LEOFF 1	-	0.00800%	(237,561.00)
LEOFF 2	166,710.01	0.07386%	(1,771,557.00)

Only the net pension liabilities are reported on the Schedule of Liabilities.

Note 9 – Other Postemployment Benefits

The City of Sedro-Woolley has a commitment to pay for postemployment benefits for retired employees that belong to the LEOFF 1 retirement plan. These benefits include medical, vision, dental, hearing, and prescriptions. The City of Sedro-Woolley is the plan administrator for these benefits and is responsible for these types of expenses.

At December 31, 2023, the following classifications of employees were covered by benefit terms:



Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
Total	4

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the city provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a single employer defined benefit healthcare plan administered by the City. The plan, LEOFF Disability, covers the member's necessary hospital, medical, vision, dental, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by the City's employee medical insurance program. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions.

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The City's actual expenses were \$51,922.28 for the year ended December 31, 2023. The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2023:

Aggregate OPEB Amounts	
OPEB Liabilities	\$1,990,304
Total OPEB Expense	\$162,967

Actuarial Assumptions

Utilizing the Office of the State Actuary's (OSA) Alternative Measurement Method (AMM) Online Tool (Tool), the City used the alternative measurement method permitted under GASB 75. The OSA actuarial reports relied upon the 2022 LEOFF 1 Medical Benefits Actuarial Valuation Report.

Methodology	
Actuarial valuation date	06/30/2023
Actuarial measurement date	06/30/2023
Actuarial cost method	Entry age
Amortization method	Recognized immediately
Asset valuation method	N/A
Assumptions	
Discount rate ⁽¹⁾	
Beginning of measurement year	3.54%
End of measurement year	3.65%
Healthcare trend rates ⁽²⁾	



Medical costs	4.5%
Long-term care	4.75%
Medicare Part B premiums	Approximately 5.0% per year, varies by year.
Mortality rates (assumes 100% male population)	
Base mortality table	PubS.H-2010 (Public Safety) Blended 50%/50% Healthy/Disabled
Age setback	-1 year healthy/0 years Disabled
Mortality improvements	MP-2017 Long-Term Rates
Projection period	Generational
Medicare participation rate	100%

⁽¹⁾ Source: Bond Buyer General obligation 20-bond Municipal Index

⁽²⁾ For additional detail on the healthcare trend rates, please see OSA's 2020 LEOFF I Medical Benefits Actuarial Valuation Report.

The following presents the total OPEB liability sensitivity analysis of the City calculated using both the current Discount Rate and the Healthcare Cost Trend Rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher:

	1% Decrease	Current	1% Increase
Discount Rate	\$2,182,369	\$1,990,304	\$1,823,100
Healthcare Trend	\$1,831,059	\$1,990,304	\$2,169,090

Schedule of Changes in the Total OPEB Liability:

LEOFF 1	
Total OPEB Liability at 1/1/2023	\$1,924,659
Service costs	0
Interest costs	\$66,425
Change in experience data and assumptions	\$96,542
Change in benefit terms	0
Estimated benefit payments	(\$97,322)
Other Changes	0
Total OPEB Liability at 12/31/2021	\$1,990,304
Covered employee payroll	\$0
TOL as a Percentage of Covered Payroll	N/A

Until a full 10-year trend is compiled, only information for those years available is presented. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Note 10 – Environmental and Certain Asset Retirement Liabilities



The city owns contaminated property, known as the Hammer Heritage Square, due to a former owner of the property locating a Chevron gasoline service station thereon for many years during the 1960s. The city has been working with the Washington State Department of Ecology (DOE), through a 3-party Agreed Order between DOE, Chevron and the City to monitor and mitigate any contaminates. Through contract, Chevron has contractually indemnified the City of Sedro-Woolley for all clean-up and other related costs. Due to the full indemnification by Chevron eliminating any liability for the City, the City has not recorded a liability for this project on Schedule 09.

Note 11 – Leases

The city has four lease agreements. Two with Ricoh USA leasing printers/scanners. Both have effective dates of March 2, 2021, contract end dates of March 1, 2026, and \$212.78 monthly payments.

The city has one long-term lease with SBA Structures for a repeater on the company's town for communicating via radio to dispatch and other agencies. The agreement effective date is September 9, 2014, for \$500.00/month with an escalation clause. Current monthly payments are \$640.28. Estimated end date of 2038.

The city has a lease with Axon Enterprise, Inc. for police tasers. The agreement effective date is November 2023 for annual payments of \$14,891.51, with a first-year payment of \$6,618.45. Estimated end of November 2027.

Year ended December 31	Copiers / Printers	SBA Structure	Police Taser	Total
2023	5,106.72	7,079.40	6,618.45	18,804.57
2024	5,106.72	7,683.36	14,891.51	27,681.59
2025	5,106.72	7,683.36	14,891.51	27,681.59
2026	851.12	7,683.36	14,891.51	23,425.99
2027		7,683.36	14,891.52	22,574.88
2028-2032		38,416.80		38,416.80
2033-2037		33,241.69		33,241.69
Total	16,171.28	109,471.33	66,184.50	191,827.11
Total excluding 2023	11,064.56	102,391.93	59,566.05	173,022.54



Note 12 - Subscription Based Information Technology Arrangements (SBITA)

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

Year	DocuSign	Total
2023	1,500	1,500
2024	1,500	1,500
2025	-	-
2026	-	-
2027	-	-
2028	-	-
Total	3,000	3,000
Total excluding 2023	1,500	1,500

DocuSign: The city makes subscription payments of \$1,500.00 annually for esignature software. The SBITA contract is for two years and includes the option to extend annually.

The city has other subscription based technology agreements with other vendors including CivicClerk for agendas, Revize for the website, Paddle for asset management, iWorQ for permitting, Smarsh for archiving, GovQA for public record requests, Springbrook for the general ledger, Mitel Business Systems Inc for communication, Business Process Automation for KoFax, Axon for police video storage, and ESRI for mapping. All of these agreements are annual contracts with option renewals, however, these are considered short-term as both the city and the vendor can opt out of the auto renewal.

Note 13 – Other

Jointly Governed Organizations:

The City of Sedro-Woolley along with the Cities of Anacortes, Burlington, Mount Vernon; Towns of Concrete, Hamilton, La Conner, Lyman; and Skagit County; Skagit PUD #1; Ports of Anacortes and Skagit County; Skagit Transit; Swinomish Tribal Community and the Samish Indian Nation are all members of the Skagit Council of Governments (SCOG). SCOG was created to provide opportunities of collaboration and cooperation between local government units as well as providing transportation and comprehensive land use planning. Members are assessed dues based upon a per capita ratio as determined by the SCOG Board of Directors. In



the unlikely event that the members vote to dissolve the organization, the organization's net assets are distributed to the member agencies.

City of Sedro-Woolley
Schedule of Liabilities
For the Year Ended December 31, 2023

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO Bond, 2019	12/1/2039	4,568,935	-	206,254	4,362,681
263.51	SBA Structures Lease-20 years	5/1/2040	109,471	-	7,079	102,392
263.56	Copiers/Printers	3/1/2026	16,171	-	5,107	11,064
263.56	Police Tasers	11/1/2027	-	66,185	6,618	59,567
263.56	SBITA - DocuSign - eSignature	7/26/2028	3,000	-	1,500	1,500
263.81	USDA Loan #56029**127697 02	8/28/2048	2,043,194	-	73,657	1,969,537
263.96	Local Loan #LP_2021C (WASCOP21C)	12/1/2041	3,070,000	-	100,000	2,970,000
Total General Obligation Debt/Liabilities:			9,810,771	66,185	400,215	9,476,741
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		462,000	-	40,128	421,872
264.30	Net Pension Liability		639,040	-	110,542	528,498
264.40	OPEB Liability		1,924,659	65,645	-	1,990,304
263.88	PWTF Loan PC08-951-039	6/1/2028	1,212,491	-	202,082	1,010,409
263.88	PWTF Loan PW-06-962-038	6/1/2026	1,400,000	-	350,000	1,050,000
263.88	PWTF Loan PW-05-691-PRE-105	6/1/2025	114,834	-	38,278	76,556
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,753,024	65,645	741,030	5,077,639
Total Liabilities:			15,563,795	131,830	1,141,245	14,554,380

City of Sedro-Woolley
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Community Facilities Loans and Grants Cluster								
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Community Facilities Loans and Grants	10.766		-	2,043,193	2,043,193	-	
Total Community Facilities Loans and Grants Cluster:								
				-	2,043,193	2,043,193	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS - LA9392	217,335	-	217,335	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-0020 (200); LA-9393	12,650	-	12,650	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STBGUM-7390 (002); LA-10455	17,935	-	17,935	-	
Total ALN 20.205:				247,920	-	247,920	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	1,692,332	1,692,332	-	

The accompanying notes are an integral part of this schedule.

City of Sedro-Woolley
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	-	97,701	97,701	-	97,701
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D22-121	12,447	-	12,447	-	12,447
		Total ALN 97.036:		12,447	97,701	110,148	-	
		Total Federal Awards Expended:		260,367	3,833,226	4,093,593	-	

The accompanying notes are an integral part of this schedule.



Notes to the Schedule of Expenditures of Federal Awards
City of Sedro-Woolley
Fiscal Year Ending December 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the cash basis of accounting.

Note 2 – Federal Indirect Cost Rate

The city has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Federal Loans

The city received a bond from the United States Department of Agriculture (USDA), Rural Development in 2008 to finance a portion of the costs of constructing an addition to the City's Public Safety Building, to be used as City Hall, Court and Council Chambers. The city reported federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA) in the years the expenditures occurred. The city has reported the 1/1/2023 outstanding loan balance of \$2,043,193 on the Schedule of Expenditures of Federal Awards. There were no new expenditures in fiscal year 2023.

Note 4 – Revolving Loan – Program Income

The city does not have a revolving loan program.

Note 5 – Noncash Awards

The city did not receive any noncash awards.

Note 6 – Noncash Awards – Equipment

The city did not receive any equipment awards.

Note 7 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the (city/county/district's) portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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